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Jun 25, 2021

Caseys General Stores (CASY)

$194.93 (As of 06/24/21)

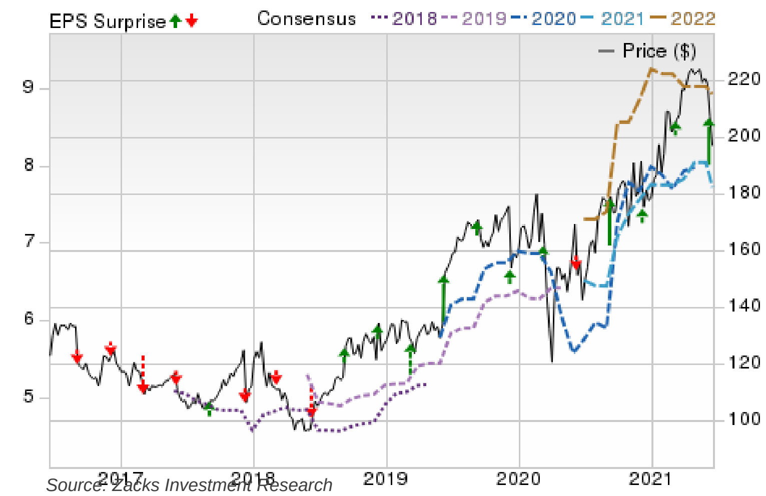
Price Target (6-12 Months): **$207.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/03/20) Prior Recommendation: Outperform	Neutral
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores:	**3-Hold** VGM:C
	Value: A | Growth: C | Momentum: F	

Summary

Shares of Casey's have risen and outpaced the industry year to date. In spite of a tough retail environment, the company posted better-than-expected fourth-quarter fiscal 2021 results. While the top line grew year over year, the bottom line fell from the year-ago period. Markedly, this was the third straight quarter of sales and earnings beat. Digital engagements, expanded assortment of private brand products and regained momentum in prepared foods business contributed to the company's performance. Casey's envisions same-store fuel and inside sales to rise by mid-single digit percentages during fiscal 2022. However, higher operating expenses still remain a matter of concern. Also, management expects first-quarter fiscal 2022 earnings to decline year over year due to unfavorable fuel margin comparisons and higher operating expenses.

Price, Consensus & Surprise

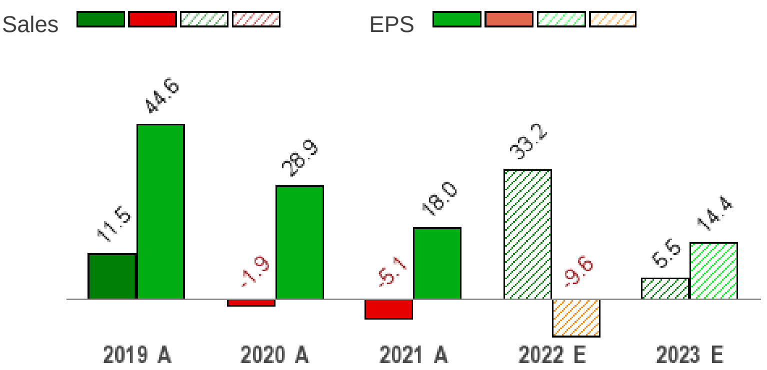


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$229.18 - $142.34**
20-Day Average Volume (Shares)	**258,018**
Market Cap	**$7.2 B**
Year-To-Date Price Change	**9.1%**
Beta	**0.88**
Dividend / Dividend Yield	**$1.36 / 0.7%**
Industry	**Retail - Convenience Stores**
Zacks Industry Rank	**Top 18% (45 out of 252)**
Last EPS Surprise	**67.2%**
Last Sales Surprise	**10.2%**
EPS F1 Estimate 4-Week Change	**-5.7%**
Expected Report Date	**09/14/2021**
Earnings ESP	**0.0%**
P/E TTM	**23.2**
P/E F1	**25.7**
PEG F1	**NA**
P/S TTM	**0.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2023	3,236 E	3,287 E	3,004 E	3,037 E	12,242 E
2022	3,018 E	3,074 E	2,698 E	2,708 E	11,599 E
2021	2,105 A	2,216 A	2,008 A	2,378 A	8,707 A

EPS Estimates

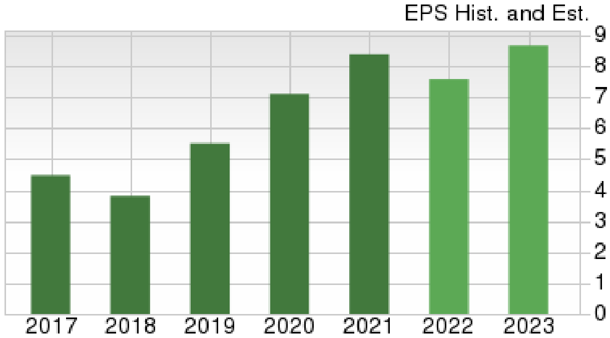
	Q1	Q2	Q3	Q4	Annual*
2023	$3.16 E	$2.83 E	$1.58 E	$1.11 E	$8.67 E
2022	$2.47 E	$2.41 E	$1.20 E	$0.88 E	$7.58 E
2021	$3.24 A	$3.00 A	$1.04 A	$1.12 A	$8.38 A

*Quarterly figures may not add up to annual.

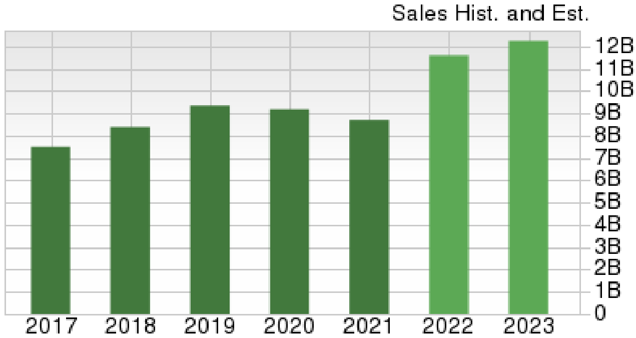
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/24/2021. The report's text and the analyst-provided price target are as of 06/25/2021.

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 (55% of FY21 total revenue), Grocery and Other Merchandise (31% of FY21 total revenue) and Prepared Food and Fountain (12% of FY21 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. Third distribution center in Joplin, Missouri is also opened and operating. On May 13, 2021, Casey's concluded the acquisition of Buchanan Energy.

Source: Zacks Investment Research

Reasons To Buy:

> 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.

- **Better-Than-Expected Q4 Results:** In spite of a tough retail environment, Casey's reported better-than-expected fourth-quarter fiscal 2021 results. Markedly, this was the third straight quarter of positive sales and earnings surprises. Digital engagements, expanded assortment of private brand products and regained momentum in prepared foods business contributed to the company's performance. Inside sales, which comprises Grocery & Other Merchandise as well as Prepared Food & Fountain categories, jumped 14.5% during the quarter. Again, inside same-store sales increased 12.8%. The metric improved on account of resurgence in pizza slices, dispensed beverage, and bakery as Casey's began lapping COVID-19 related traffic disruption. Fuel sales surged 44.6% year over year, while Fuel gallons sold jumped 9.8%. Same-store gallons sold increased considerably in the back half of the quarter due to the favorable comparison to the start of the COVID-19 pandemic a year ago. Fuel gallons same-store sales rose 6.4% during the quarter against 14.7% decline in the year-ago period. Casey's envisions same-store fuel and Inside sales to rise by mid-single digit percentages during fiscal 2022. Shares of Casey's have rallied 9.5% so far in the year compared with the industry's rise of 7.9%.

- **Grocery & Prepared Food Categories Gain:** Grocery & Other Merchandise sales rose 14.4% to $649.8 million during the fourth quarter of fiscal 2021. This followed an increase of 7.2% in the preceding quarter. Same-store sales increased 12.5% against a decline of 2% in the year-ago quarter. We note that Grocery & Other Merchandise margin expanded 140 basis points to 31.8%. Again, Prepared Food & Fountain sales rose 14.7% to $263.5 million. This followed a decline of 3.5% in the preceding quarter. Same-store sales increased 13.4% against 13.5% decline witnessed in the year-ago quarter. Again, Prepared Food & Fountain margin improved marginally by 10 basis points to 60.1%.

- **Prioritizing Actions:** In order to steer through the tough operating environment, Casey's has prioritized its actions. These involves optimizing capital expenditures, revisiting payment terms with suppliers and managing inventory levels. Casey's is strengthening pizza promotions for guests who are seeking meal solutions. It is enhancing delivery capabilities via DoorDash with more than 700 stores now offering the service. The company also launched Uber Eats at another 700 locations. 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. We note that the company expects to make an investment of roughly $500 million in property and equipment in the fiscal year. Also, the company intends to double the number of SKUs offered under the Casey's brand.

- **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. Casey's Rewards program includes more than 3.6 million members.

- **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. In recent efforts, the company completed the acquisition of 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 buyout is a strong strategic fit and is expected to add approximately $45 million of EBITDA in fiscal 2022. It is accretive to earnings for the fiscal year. The acquisition is expected to add approximately 200 million retail gallons and $150 million of inside sales before any synergies. Meanwhile, the company is on track to conclude the previously disclosed Circle K acquisition.

- **Store Update:** During fiscal 2021, the company constructed 40 new stores, closed 11 and completed the acquisition of five stores. As of Apr 30, 2021, the company operated 2,243 stores. The acquisition of Buchanan Energy adds 94 retail stores and 79 dealer locations to Casey's business. The company remains optimistic about adding 345 stores over the next three years.

- **Financial Status:** Casey's ended fourth-quarter fiscal 2021 with cash and cash equivalents of $336.5 million. Management notified that it has no debt maturities of significance due until 2025. Moreover, the company's times interest earned ratio stands at 9.7 better than the industry's ratio of 7.9. Notably, the company has a dividend payout of 16.2%, dividend yield of 0.7% and free cash flow yield of 5.1%. With an annual free cash flow return on investment of 14.7%, the dividend payment is likely to be sustainable.

Reasons To Sell:

▼ **First-Quarter FY22 Earnings to Decline Y/Y:** Management expects first-quarter fiscal 2022 earnings to decline year over year due to unfavorable fuel margin comparisons, higher operating expenses, as well as the closing costs related to the buyout of Buchanan Energy. We note that Casey's witnessed a year-over-year decline in bottom line in the final quarter of fiscal 2021 as well. This decrease in the bottom line can be attributed to higher operating expenses. Again, adjusted EBITDA for the quarter came in at $140.6 million compared with $159 million a year ago. This reflected a decrease of 11.6%. The decline in both earnings and adjusted EBITDA was mainly due to the outsized fuel margin a year ago that was brought on by a significant reduction in the wholesale price of fuel due to both excess supply and the demand shock from the pandemic.

Management estimates mid-teen percentage increase in total operating expenses driven primarily by adding about 200 units during fiscal 2022, expenses related to adding back operating hours to the stores and likely wage pressures.

▼ **Fuel Gross Profit Declines:** Fuel gross profit fell 11.1% to $176.7 million during the fourth quarter of fiscal 2021. This is because of the unprecedented high fuel margin attained last year via supply and demand shocks from the pandemic and overall macroeconomic conditions in the oil sector. Again, Fuel margin declined to 33 cents per gallon from 40.8 cents per gallon in the prior-year period. The company is currently experiencing fuel margins in the low 30 cents range. The company had reported fuel margin of 38.2 cents in the first quarter of fiscal 2021.

▼ **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 16% during the fourth quarter of fiscal 2021. This followed an increase of 9.8%, 9.9%, 1.6% and 6.2% during the preceding four quarters. The year-over-year increase can be attributed to rise in store-level operating hours and costs, as the company lapped COVID-19 related shutdowns in the year-ago period. The metric also increased on account of operating 36 more stores compared with the same period last year, $8 million in incremental incentive compensation costs, and higher credit card fees due to the rising retail price of fuel and increased volume. Same store operating expenses, excluding credit card fees, were up 6.5% in the quarter under review. Management estimates mid-teen percentage increase in total operating expenses driven primarily by adding about 200 units during fiscal 2022, expenses related to adding back operating hours to the stores and likely wage pressures.

▼ **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. 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.

Last Earnings Report

Casey's Q4 Earnings Beat Estimates, Revenues Rise Y/Y

Quarter Ending	04/2021
Report Date	Jun 08, 2021
Sales Surprise	10.17%
EPS Surprise	67.16%
Quarterly EPS	1.12
Annual EPS (TTM)	8.40

In spite of a tough retail environment, Casey's General Stores, Inc. reported better-than-expected fourth-quarter fiscal 2021 results. While the top line improved year over year, the bottom line declined from the year-ago period. Markedly, this was the third straight quarter of positive sales and earnings surprises. Digital engagements, expanded assortment of private brand products and regained momentum in prepared foods business contributed to the company's performance.

Meanwhile, Casey's completed the acquisition of Buchanan Energy and is on track to conclude the previously disclosed Circle K acquisition this month.

A Closer Look at Results

Casey's posted quarterly earnings of $1.12 per share that handily surpassed the Zacks Consensus Estimate of 67 cents but declined from $1.67 reported in the year-ago period. This year-over-year decrease in the bottom line can be attributed to higher operating expenses. Total revenues of $2,378.2 million surged 31.2% year over year and came ahead of the Zacks Consensus Estimate of $2,159 million. Revenue grew across all the three categories, Fuel, Grocery & Other Merchandise and Prepared Food & Fountain.

Inside sales jumped 14.5% to $913.4 million during the quarter under review. Inside same-store sales increased 12.8% against 5.6% decline witnessed in the year-ago period. The metric improved on account of resurgence in pizza slices, dispensed beverage, and bakery as Casey's began lapping COVID-19 related traffic disruption. The company informed that whole pizza pie sales remained solid in the quarter.

Margins & Expenses

Gross profit increased 6.8% year over year to $561 million, primarily attributable to higher inside gross profit, partly offset by a decline in fuel gross profit. However, gross margin contracted 540 basis points to 23.6%. Inside gross profit grew 17.4% to $364.9 million. Meanwhile, Inside margin improved 100 basis points to 39.9% owing to strategic sourcing endeavors and previous merchandise resets, coupled with a favorable mix shift of private brands, packaged beverage and prepared foods.

We note that Casey's registered an increase of 16% in operating expenses of $426.3 million due to rise in store-level operating hours and costs, as the company lapped COVID-19 related shutdowns in the year-ago period. The metric also increased on account of operating 36 more stores compared with the same period last year, $8 million in incremental incentive compensation costs, and higher credit card fees due to the rising retail price of fuel and increased volume. Same store operating expenses, excluding credit card fees, were up 6.5% in the quarter under review.

Performance by Categories

We note that **Fuel** sales surged 44.6% year over year to $1,445.1 million during the quarter. Well, Fuel gallons sold jumped 9.8% to 535.3 million. Same-store gallons sold increased considerably in the back half of the quarter due to the favorable comparison to the start of the COVID-19 pandemic a year ago. Fuel gallons same-store sales rose 6.4% during the quarter against 14.7% decline in the year-ago period. Fuel gross profit fell 11.1% to $176.7 million. This is because of the unprecedented high fuel margin attained last year via supply and demand shocks from the pandemic and overall macroeconomic conditions in the oil sector. Again, Fuel margin declined to 33 cents per gallon from 40.8 cents per gallon in the prior-year period.

Grocery & Other Merchandise sales rose 14.4% to $649.8 million. Same-store sales increased 12.5% against a decline of 2% in the year-ago quarter. We note that Grocery & Other Merchandise margin expanded 140 basis points to 31.8%. Again, gross profit increased 19.4% to $206.5 million during the quarter.

Prepared Food & Fountain sales rose 14.7% to $263.5 million. Same-store sales increased 13.4% against 13.5% decline witnessed in the year-ago quarter. Again, Prepared Food & Fountain margin improved marginally by 10 basis points to 60.1%. We note that gross profit jumped 14.9% year over year to $158.4 million.

Other Details

During fiscal 2021, the company constructed 40 new stores and closed 11. As of Apr 30, 2021, the company operated 2,243 stores.

Casey's ended the quarter with cash and cash equivalents of $336.5 million, long-term debt and finance lease obligations (net of current maturities) of $1,361.4 million and shareholders' equity of $1,932.7 million. During the quarter, the company did not make any share repurchases and still has $300 million under authorization.

FY22 Outlook

Casey's envisions same-store fuel and inside sales to rise by mid-single digit percentages during fiscal 2022. Management estimates mid-teen percentage increase in total operating expenses driven primarily by adding about 200 units during fiscal 2022, expenses related to adding back operating hours to the stores and likely wage pressures. Moreover, the company expects to make an investment of roughly $500 million in property and equipment in the fiscal year.

Recent News

Casey’s Completes Buchanan Energy Buyout – May 14, 2021

Casey’s closes its previously announced acquisition of Buchanan Energy, owner of Bucky’s Convenience Stores. The acquisition will aid expanding Casey’s presence in the Midwest, notably in Nebraska and Illinois.

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 9.5% in the year-to-date period and nearly 37.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Retail-Wholesale sector are up 7.9% and 0.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 24% and 22.9%, respectively.

The S&P 500 index is up 15.2% in the year-to-date period and 46.4% in the past year.

The stock is currently trading at 24.66X forward 12-month earnings, which compares to 25.24X for the Zacks sub-industry, 28.1X for the Zacks sector and 21.78X 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 24.44X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $207 price target reflects 26.14X forward 12-month earnings.

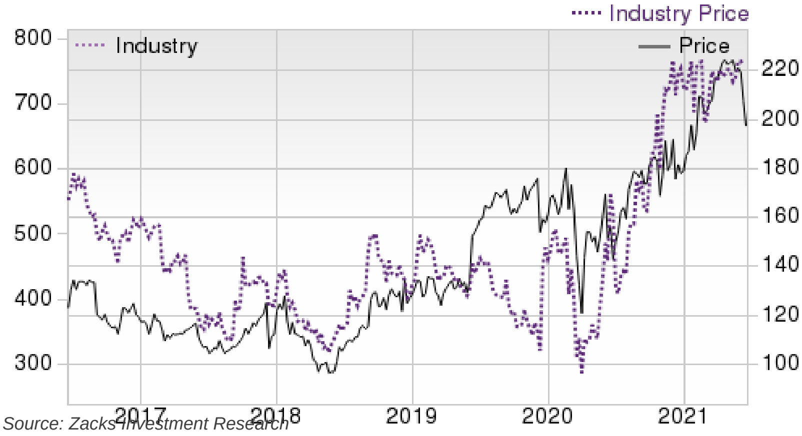
The table below shows summary valuation data for CASY

Valuation Multiples - CASY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.66	25.24	28.1	21.78
	5-Year High	30.79	31.72	34.01	23.83
	5-Year Low	18.05	18.37	19.14	15.31
	5-Year Median	24.44	25.01	23.96	18.05
P/S F12M	Current	0.62	0.43	1.32	4.73
	5-Year High	0.97	0.6	1.41	4.74
	5-Year Low	0.37	0.28	0.84	3.21
	5-Year Median	0.55	0.44	1.02	3.72
EV/EBITDA F12M	Current	12.06	9.25	13.07	17.23
	5-Year High	12.06	10.95	13.18	18.83
	5-Year Low	8.49	6.18	8.83	13.04
	5-Year Median	10.15	7.38	11.32	15.92

As of 06/24/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 18% (45 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Target Corporation **(TGT)**	Outperform	1
Costco Wholesale Corporation **(COST)**	Neutral	2
Dollar General Corporation **(DG)**	Neutral	2
Dollar Tree, Inc. **(DLTR)**	Neutral	3
The Kroger Co. **(KR)**	Neutral	3
Ollies Bargain Outlet Holdings, Inc. **(OLLI)**	Neutral	3
Walmart Inc. **(WMT)**	Neutral	2
Grocery Outlet Holding Corp. **(GO)**	Underperform	5

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

Industry Comparison Industry: Retail - Convenience Stores

	CASY	X Industry	S&P 500	DG	KR	WMT
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	2
VGM Score	C	-	-	A	A	A
Market Cap	7.20 B	3.82 B	29.99 B	50.52 B	29.64 B	383.64 B
# of Analysts	5	1.5	12	25	8	14
Dividend Yield	0.70%	0.00%	1.35%	0.79%	1.84%	1.61%
Value Score	A	-	-	B	A	B
Cash/Price	0.05	0.65	0.06	0.01	0.11	0.06
EV/EBITDA	11.41	7.29	17.12	13.07	5.39	11.90
PEG F1	NA	NA	2.06	1.86	1.54	4.18
P/B	3.73	2.21	4.11	8.08	3.21	4.56
P/CF	12.42	7.96	17.50	16.23	4.88	14.49
P/E F1	25.81	25.71	21.14	21.05	12.99	22.99
P/S TTM	0.83	0.46	3.40	1.50	0.22	0.68
Earnings Yield	3.89%	1.81%	4.66%	4.75%	7.69%	4.35%
Debt/Equity	0.70	0.77	0.66	0.66	1.41	0.52
Cash Flow ($/share)	15.69	12.08	6.86	13.18	8.03	9.45
Growth Score	C	-	-	A	A	A
Historical EPS Growth (3-5 Years)	15.51%	15.51%	9.59%	22.73%	10.55%	5.63%
Projected EPS Growth (F1/F0)	-9.52%	39.39%	21.79%	-4.31%	-13.15%	8.66%
Current Cash Flow Growth	12.56%	31.07%	1.02%	44.07%	20.45%	6.44%
Historical Cash Flow Growth (3-5 Years)	7.87%	5.26%	7.28%	16.24%	8.17%	2.01%
Current Ratio	1.18	1.43	1.39	1.14	0.82	0.95
Debt/Capital	41.33%	43.28%	41.51%	39.79%	58.43%	34.26%
Net Margin	3.59%	1.79%	12.06%	7.96%	1.14%	2.18%
Return on Equity	16.83%	8.72%	16.59%	39.37%	27.82%	19.92%
Sales/Assets	2.02	1.76	0.51	1.31	2.73	2.30
Projected Sales Growth (F1/F0)	33.21%	38.57%	9.56%	0.95%	-0.47%	-1.31%
Momentum Score	F	-	-	A	A	B
Daily Price Change	-1.68%	-1.28%	0.58%	-0.08%	-0.10%	0.70%
1-Week Price Change	-5.03%	-5.03%	1.06%	1.62%	0.10%	-3.96%
4-Week Price Change	-10.27%	-10.27%	1.56%	4.65%	7.88%	-3.37%
12-Week Price Change	-10.05%	-10.05%	6.14%	5.68%	8.90%	0.95%
52-Week Price Change	32.95%	32.95%	38.35%	12.18%	19.43%	14.37%
20-Day Average Volume (Shares)	258,018	121,751	1,811,241	1,810,973	8,474,433	6,714,123
EPS F1 Estimate 1-Week Change	-1.77%	-0.88%	0.00%	0.00%	-0.30%	0.00%
EPS F1 Estimate 4-Week Change	-5.72%	-2.86%	0.01%	7.11%	8.90%	0.03%

EPS F1 Estimate 12-Week Change	-3.11%	37.02%	3.54%	7.96%	9.12%	9.84%
EPS Q1 Estimate Monthly Change	-13.03%	-6.51%	0.00%	2.43%	20.66%	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	C
Momentum Score	F
VGM Score	C

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.

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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.