ZACKS | Our Research. Your Success.

Sep 02, 2020

Columbia Sportswear (COLM)

$89.46 (As of 09/01/20)

Price Target (6-12 Months): **$94.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/19/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: F | Momentum: D	**3-Hold** VGM:F

Summary

Columbia Sportswear has underperformed the industry in the past three months. The company has been reeling under coronavirus concerns. Incidentally, temporary store closures affected the company's second-quarter 2020 results, wherein top and bottom lines fell year over year. Sales declined across all brands, categories, channels and regions as most stores in the United States, Japan, Europe and Canada were closed in the beginning of the quarter. Though the company has reopened almost all stores, traffic remains well below year-ago levels. Thus, sales volume is likely to remain lower through the rest of 2020. Also, high COVID-19 costs are a concern, though management is focused on reducing operating costs by more than $100 million in 2020. Also, solid e-commerce sales are acting as cushion. To this end, focus on X1 initiative is noteworthy.

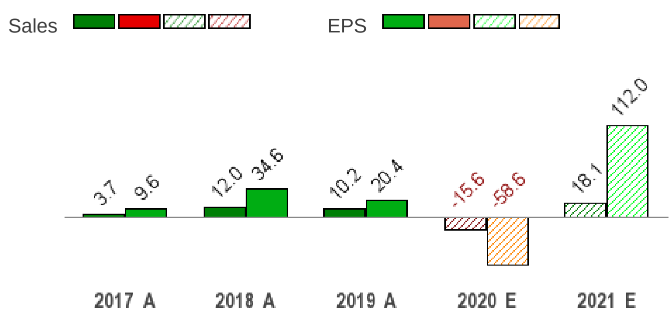
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$102.88 - $51.82**
20-Day Average Volume (Shares)	**280,312**
Market Cap	**$5.9 B**
Year-To-Date Price Change	**-10.7%**
Beta	**0.59**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Textile - Apparel**
Zacks Industry Rank	**Bottom 20% (202 out of 251)**
Last EPS Surprise	**12.5%**
Last Sales Surprise	**0.4%**
EPS F1 Estimate 4-Week Change	**-0.6%**
Expected Report Date	**11/04/2020**
Earnings ESP	**-20.7%**
P/E TTM	**33.8**
P/E F1	**44.7**
PEG F1	**5.0**
P/S TTM	**2.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	618 E	415 E	889 E	959 E	3,034 E
2020	568 A	317 A	774 E	909 E	2,568 E
2019	655 A	526 A	907 A	955 A	3,042 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.72 E	-$0.54 E	$1.78 E	$1.81 E	$4.24 E
2020	$0.00 A	-$0.77 A	$1.10 E	$1.66 E	$2.00 E
2019	$1.07 A	$0.23 A	$1.75 A	$1.67 A	$4.83 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/01/2020. The reports text is as of 09/02/2020.

Overview

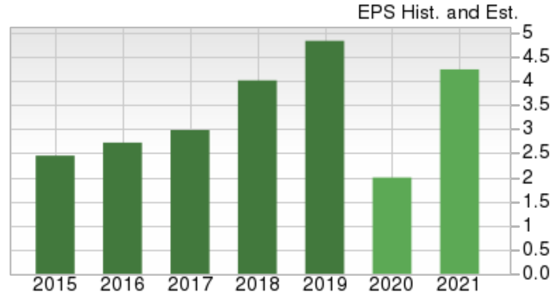
Headquartered in Portland, OR, **Columbia Sportswear Company** engages in the sourcing, marketing and distribution of outdoor and active lifestyle apparel, footwear, accessories and equipment in the U.S. and internationally.

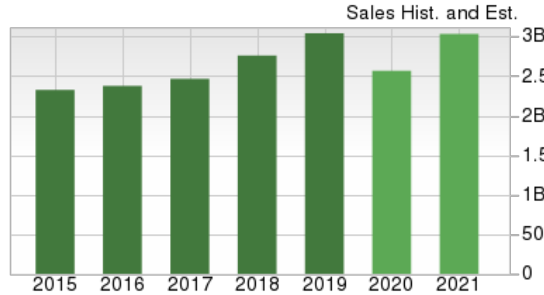
The company offers products under four well-established brands – Columbia, Sorel, Mountain Hardwear and prAna. Amongst other brands, The OutDry and The Pacific Trail are worth mentioning.

The high quality products manufactured by the company under different banners makes them ideal for a range of sporting activities. The company also engages in innovation, in order to match consumers changing preferences, especially in relation with outdoor activities.

The company distributes its products through a mix of wholesale distribution channels, own direct-to-consumer ("DTC") channels (retail stores and e-commerce), independent international distributors, as well as licensees.

In 2019, the company's products were sold across 90 countries. Majority of the company's products are manufactured by contract manufacturers located outside the United States.





Columbia reports its operating results under two major segments:

Apparel, accessories and equipment segment: This segment designs, develops, markets and distributes apparel, accessories and equipment for men and women under its Columbia, Sorel, Mountain Hardwear and prAna brands, and for youth under the Columbia and Mountain Hardwear brand.

Footwear segment: The segment designs, develops, markets and distributes footwear products for men, women and youth under its Columbia and Sorel brands.

The company operates in four geographic regions: The United States, Canada, Latin America and Asia Pacific (LAAP), and Europe, Middle East and Africa (EMEA).

Source: Zacks Investment Research

Reasons To Buy:

▲ **Direct-to-Consumer E-Commerce Business – A Major Driver:** Columbia Sportswear remains committed to expanding and enhancing its global direct-to-consumer (DTC) business, through accelerated investments. In the second quarter of 2020, the company's DTC e-commerce sales soared 72% and formed 28% of the company's top line. In the United States, the company's Columbia brand's online penetration was roughly 40% in the second quarter. Management said that DTC e-commerce is seeing robust momentum with more consumers opting to shop online. E-commerce sales remained strong through the first few weeks of July. This channel is likely to continue performing well in the forthcoming periods.

Columbia Sportswear has been gaining from brand enhancement initiatives. The company is also on track with Project CONNECT initiative.

▲ **Experience First or XI Initiative on Track:** Columbia Sportswear began investing in its Experience First initiative or the X1 initiative in 2018. The company remains on track with this initiative, which is aimed at enhancing e-commerce operations to keep pace with the evolving consumer environment. Notably, the company's e-commerce platform has been largely operational during the pandemic, except for some distribution center closures. The company is focused on implementing X1 in a phased manner. In this regard, the initiative was implemented across 10 countries in Europe-direct and for the prAna brand in the United States in 2019. The company expects to keep implementing X1 in North America in 2020. It anticipates this platform to become operational for Columbia, SOREL and Mountain Hardwear brands ahead of the holiday season peak.

▲ **Debt Analysis:** As of the end of first-quarter 2020 (Jun 30, 2020), Columbia Sportswear's long-term operating lease liabilities of nearly $348 million declined 4.5% quarter over quarter. Additionally, the company's debt-to-capitalization ratio stood at 0.2, much better than the industry's 0.65. Further, the company had cash and short-term investments of about $474.8 million, while its short-term borrowings (including operating lease liabilities) stood at $73.7 million.

▲ **Brand Enhancing Initiatives:** Columbia Sportswear undertakes brand-enhancing and unique marketing initiatives that further strengthen its presence in the apparel industry. Even amid the pandemic, Columbia Sportswear remains committed to undertaking innovation. It has a solid pipeline for apparel innovation. To this end, the company plans to launch Omni-Heat Black Dot this fall and has a number of planned launches for spring and fall 2021. The company is also making investments to strengthen its footwear products across Columbia and SOREL brands.

▲ **Project CONNECT to Drive Growth:** Columbia Sportswear has been progressing well with its Project CONNECT program, which is aimed toward driving sales and earnings along with strengthening the company's financial position. Project CONNECT focuses on connecting consumers, wholesale customers and international distributors with its manufacturing partners and employees around the globe. Markedly, the program comprises design to value, assortment optimization and manufacturing efficiency endeavors.

Reasons To Sell:

> Adverse impacts from unfavourable currency rates as well as rising COVID-19 costs are headwinds for Columbia.

- **Coronavirus Hurts Q2 Results**: Though shares of Columbia Sportswear gained 11% in the past three months, it underperformed the industry's growth of 11.3%. The company reported second-quarter 2020 results, wherein the top and bottom lines plummeted year over year. Results were largely affected by store closures and other concerns related to COVID-19. Net sales slumped 40% to $316.6 million. Sales declined across all brands, categories, channels and regions. Sales plummeted 58%, 47% and 20% in April, May and June, respectively. In the reported quarter, DTC channels displayed a sales decline of 32%, while wholesale net sales tumbled 46%. The company's second-quarter results were largely affected by store closures amid the pandemic. Most of the company's own stores in the United States, Japan, Europe and Canada were closed in the beginning of the second quarter. Also, many of the company's international distributors and wholesale customers were closed.

  In May and June, stores started gradually reopening in these markets, and by the quarter-end, almost all company-owned stores were open worldwide. However, the company noted that a few stores in a few locations that had reopened globally shut down again due to local regulations as well as safety factors. Further, management highlighted that brick-and-mortar traffic remains significantly lower than the year-ago period, with outlets in destination locations and tourist-dependent regions most affected. Additionally, a rise in coronavirus cases in recent weeks has affected the company's stores in the affected regions. The company expects its sales volume to remain lower than the year-ago period through the remainder of 2020, while it expects the second quarter to have witnessed the biggest year-over-year sales decline in 2020.

- **Cost & Margin Concerns:** During the second quarter of 2020, gross margin declined 200 basis points to 46.2% due to coronavirus-led impacts. These include reduced DTC product margins due to elevated promotional activities, increased inventory reserves and reduced wholesale close-out sales volumes. Though SG&A expenses declined year over year, it was impacted by high COVID-19-related costs. The company reported an operating loss of $70.3 million against an operating income of $16.4 million in the year-ago period. In its earnings release, management commented that it intends to continue its investments to create demand, drive brand awareness and enhance digital capabilities. Though these investments are likely to fuel growth, they may weigh on margins.

- **Currency Headwinds:** Due to exposure in international markets, Columbia Sportswear is prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside the United States. Increase in prices may have adverse impact on demands for the products. Therefore, unfavourable currency movements remain a threat to the company's profitability.

- **Volatile Product Costs:** Columbia Sportswear remains prone to volatility in the prices of several raw materials in the commodity market, such as oil, leather and cotton among others. The company's product costs depend largely on these prices, along with quality and availability of raw materials; labor market fluctuations that impact wage rates; transportation costs and general economic conditions like inflation. Thus, any major changes in these factors can impact the company's production cost, which can hurt profitability.

- **Risk Related to Contract Manufacturers:** Columbia Sportswear mainly procures its products through contract manufacturers. The order commitments of the company with such contract manufacturers are not long term in nature, thus posing the risk of meeting production needs timely and adequately on the event of any lags from the manufacturers end.

Last Earnings Report

Columbia Sportswear's Q2 Loss Narrower Than Expected

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	0.37%
EPS Surprise	12.50%
Quarterly EPS	-0.77
Annual EPS (TTM)	2.65

Columbia Sportswear reported second-quarter 2020 results, which were largely affected by store closures and other concerns related to COVID-19. Nonetheless, e-commerce sales surged 72% in the quarter, forming 28% of total sales. E-commerce sales remained high in July and management is taking steps to adapt its distribution centers accordingly.

This company posted a loss of 77 cents against the year-ago period's earnings of 34 cents. However, the quarterly loss was narrower than the Zacks Consensus Estimate of a loss of 88 cents. Net sales slumped 40% to $316.6 million, though it came ahead of the consensus mark of $315 million. Sales declined across all brands, categories, channels and regions. Sales plummeted 58%, 47% and 20% in April, May and June, respectively. In the reported quarter, DTC channels displayed a sales decline of 32%, while wholesale net sales tumbled 46%.

Gross margin declined 200 basis points (bps) to 46.2% due to coronavirus-led impacts. These include reduced DTC product margins due to elevated promotional activities, increased inventory reserves and reduced wholesale close-out sales volumes. SG&A expenses dropped 10% to $217.7 million. As a percentage of sales, the same escalated from 45.8% to 68.7%. SG&A costs were lower on account of reduced retail costs, lower spending on demand creation and a decline in discretionary spending. This was countered by COVID-19-related costs. The company reported an operating loss of $70.3 million against an operating income of $16.4 million in the year-ago period.

Regional Segments, Product Category & Brand

In the United States, net sales fell 42% to $183.2 million. Latin America/Asia Pacific (LAAP) net sales fell 34% to $67.4 million. Further, net sales dropped 36% to $58.3 million in Europe/Middle East/Africa (EMEA). In Canada, net sales were down 56% to $7.7 million. Net sales in the Apparel, Accessories and Equipment category declined 44% to $243.8 million, while the same for Footwear fell 23% to $72.8 million. Further, the Columbia, prAna, Mountain Hardwear and Sorel brands registered sales declines of 42%, 28%, 44% and 12%, respectively.

Other Updates

Columbia Sportswear, which shares space with Hanesbrands (HBI), ended the quarter with cash, cash equivalents and short-term investments of $475.8 million and total shareholders' equity of $1,652.8 million. The company also had short-term borrowings of $2.8 million in its balance sheet. During the quarter, the company used cash from operating activities of $37.3 million, while it incurred capital expenditures of almost $21 million. Management recently suspended share buyback activities and quarterly dividend payments as part of its efforts to preserve capital amid the COVID-19 crisis.

The company's second-quarter results were largely affected by store closures amid the pandemic. Most of the company's owned stores in the United States, Japan, Europe and Canada were closed in the beginning of the second quarter. Also, many of the company's international distributors and wholesale customers were closed. However, in May and June, stores started gradually reopening in these markets, and by the quarter-end, almost all company-owned stores were open worldwide. However, the company noted that a few stores at a few locations that had reopened globally shut down again due to local regulations as well as safety factors.

Further, management highlighted that brick-and-mortar traffic remains significantly lower than the year-ago period, with outlets in destination locations and tourist-dependent regions most affected. Additionally, a rise in coronavirus cases in recent weeks has affected the company's stores in the impacted regions. The company expects its sales volume to remain lower than the year-ago period through the remainder of 2020, while it expects the second quarter to have witnessed the biggest year-over-year sales decline in 2020.

Management remains on track to curtail operating costs by more than $100 million in 2020 and is also planning actions to optimize its cost structure in 2021 and thereafter. Management intends to continue its investments to create demand, drive brand awareness and enhance digital capabilities. It will also continue exploring growth opportunities in the DTC business and improve support processes.

Recent News

Columbia Sportswear Reopens Stores, Brings Back Employees - May 14, 2020

Columbia Sportswear announced its plans to reopen 30 Columbia branded stores across 10 states on May 15. Incidentally, the company said that it will bring back more than 250 retail employees who were furloughed in the past. Prior to this, the company already reopened one Columbia branded store located in Nebraska.

Further, the company is taking several actions to curtail costs and fortify capital position in the wake of this crisis. To this end, it has suspended dividend payouts and share buybacks, reduced operating and discretionary expenses as well as reduced planned inventory purchases for fall 2020

Columbia Sportswear Withdraws View, Keeps Stores Closed Amid Coronavirus – Apr 17, 2020

Columbia Sportswear provides an update on the coronavirus outbreak. The company's stores across North America and Europe remain shut until it is safe to reopen them amid the coronavirus crisis. Also, U.S. retail store operations staffs have been partially furloughed through May 1. Similar moves to furlough workers have been taken in the company's distribution centers and corporate offices.

Although, most stores in China and Korea have opened again, majority of these stores are still operating with reduced store hours. Also, retail traffic in these reopened stores are seeing some improvements but it stands well below pre-pandemic levels. Meanwhile, the company's online business has largely been operational amid the coronavirus crisis.

Further, management has temporarily suspended its quarterly dividend as well as share buyback plans. Moreover, the company has been undertaking measures to control its capital expenditures among other moves to improve liquidity amid coronavirus crisis. Apart from these, the Company has taken other moves including amending and restating its domestic credit agreement to improve its financial position amid the crisis. In this regard, it has drawn down $325 million under its domestic credit agreement since Mar 27.

Also, given the coronavirus outbreak and its impact on revenues and costs, management has withdrawn its first half and full year 2020 financial outlook, which was issued along with its fourth-quarter results on Feb 7.

Valuation

Columbia Sportswear's shares are down 10.4% in the year-to-date period and 1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 11.1% and 1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector gained 8.9% and 10.4%, respectively.

The S&P 500 index is up 4.3% in the year-to-date period and 16.8% in the past year.

The stock is currently trading at 26.73X forward 12-month earnings, which compares to 28.78X for the Zacks sub-industry, 34.29X for the Zacks sector and 23.03X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.33X and as low as 11.61X, with a 5-year median of 20.77X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $94 price target reflects 28.09X forward 12-month earnings.

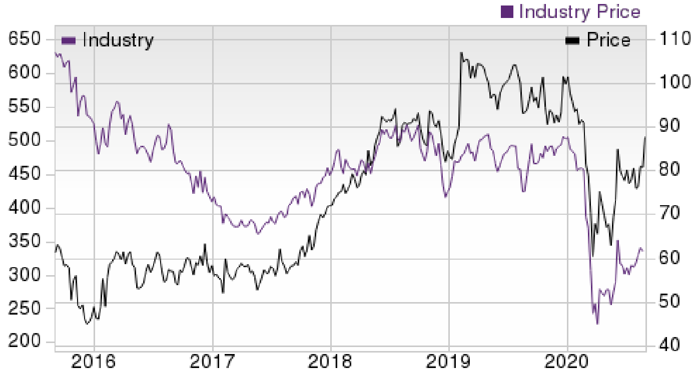
The table below shows summary valuation data for COLM

Valuation Multiples - COLM

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.73	28.78	34.29	23.03
	5-Year High	30.33	28.78	34.39	23.03
	5-Year Low	11.61	13.28	16.13	15.25
	5-Year Median	20.77	18.05	19.84	17.6
P/S F12M	Current	2.05	2.51	2.47	3.93
	5-Year High	2.46	2.51	2.95	3.93
	5-Year Low	1.18	1.45	1.68	2.53
	5-Year Median	1.81	2.08	2.49	3.07
EV/EBITDA F12M	Current	13.62	21.24	11.67	12.8
	5-Year High	14.95	24.18	12.39	14.14
	5-Year Low	7.14	10.15	8.11	9.05
	5-Year Median	11.82	14.68	10.89	11.03

As of 09/01/2020

Industry Analysis **Zacks Industry Rank:** Bottom 20% (202 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Hanesbrands Inc. **(HBI)**	Outperform	1
GIII Apparel Group, LTD. **(GIII)**	Neutral	4
lululemon athletica inc. **(LULU)**	Neutral	3
PVH Corp. **(PVH)**	Neutral	3
V.F. Corporation **(VFC)**	Neutral	3
Guess, Inc. **(GES)**	Underperform	4
Ralph Lauren Corporation **(RL)**	Underperform	4
Under Armour, Inc. **(UAA)**	Underperform	4

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

Industry Comparison Industry: Textile - Apparel

	COLM	X Industry	S&P 500	GES	GIII	LULU
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	3
VGM Score	F	-	-	D	F	F
Market Cap	5.92 B	834.35 M	23.95 B	811.91 M	555.01 M	50.93 B
# of Analysts	6	4	14	4	7	17
Dividend Yield	0.00%	0.00%	1.61%	0.00%	0.00%	0.00%
Value Score	C	-	-	C	C	F
Cash/Price	0.08	0.22	0.07	0.51	1.10	0.02
EV/EBITDA	10.32	6.47	13.32	6.34	4.04	47.91
PEG F1	5.03	5.11	3.05	NA	18.39	5.04
P/B	3.58	1.87	3.21	1.67	0.45	27.74
P/CF	13.58	6.83	12.92	4.25	2.83	63.14
P/E F1	45.00	36.05	21.84	NA	165.00	92.36
P/S TTM	2.15	0.65	2.52	0.34	0.19	13.23
Earnings Yield	2.24%	1.64%	4.39%	-10.91%	0.61%	1.08%
Debt/Equity	0.00	0.64	0.70	2.06	0.91	0.35
Cash Flow ($/share)	6.59	2.28	6.93	2.83	4.08	6.20
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	13.85%	-2.10%	10.41%	-16.06%	7.78%	26.32%
Projected EPS Growth (F1/F0)	-58.66%	-59.76%	-4.75%	-190.34%	-97.81%	-14.09%
Current Cash Flow Growth	30.70%	6.85%	5.22%	24.83%	6.85%	26.75%
Historical Cash Flow Growth (3-5 Years)	17.53%	3.96%	8.49%	0.67%	9.97%	19.56%
Current Ratio	2.99	1.91	1.35	1.54	3.97	2.68
Debt/Capital	0.00%	40.97%	42.92%	67.45%	47.60%	25.83%
Net Margin	6.66%	-1.68%	10.25%	-1.68%	3.15%	15.01%
Return on Equity	10.53%	1.00%	14.66%	1.00%	8.68%	33.27%
Sales/Assets	0.99	0.93	0.50	1.00	1.07	1.28
Projected Sales Growth (F1/F0)	-15.59%	-6.50%	-1.40%	-24.36%	-30.16%	1.90%
Momentum Score	D	-	-	A	F	A
Daily Price Change	4.55%	0.50%	0.29%	4.43%	4.43%	4.12%
1-Week Price Change	8.66%	2.75%	2.59%	9.73%	16.14%	2.37%
4-Week Price Change	21.37%	3.33%	3.53%	3.45%	18.58%	19.18%
12-Week Price Change	5.45%	-4.75%	2.09%	-5.88%	-33.16%	23.63%
52-Week Price Change	-2.20%	-23.57%	4.31%	-27.69%	-38.76%	117.87%
20-Day Average Volume (Shares)	280,312	110,103	1,816,754	1,045,659	1,077,792	1,294,609
EPS F1 Estimate 1-Week Change	3.30%	0.00%	0.00%	0.00%	0.00%	0.49%
EPS F1 Estimate 4-Week Change	-0.58%	0.00%	0.20%	0.00%	-24.62%	1.00%
EPS F1 Estimate 12-Week Change	0.12%	-44.83%	3.86%	-991.67%	-86.00%	-5.40%
EPS Q1 Estimate Monthly Change	-6.02%	0.00%	0.00%	0.00%	0.63%	1.04%

Source: Zacks Investment Research

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.

Value Score	C
Growth Score	F
Momentum Score	D
VGM Score	F

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

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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