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May 19, 2021

Columbia Sportswear (COLM)

$104.54 (As of 05/18/21)

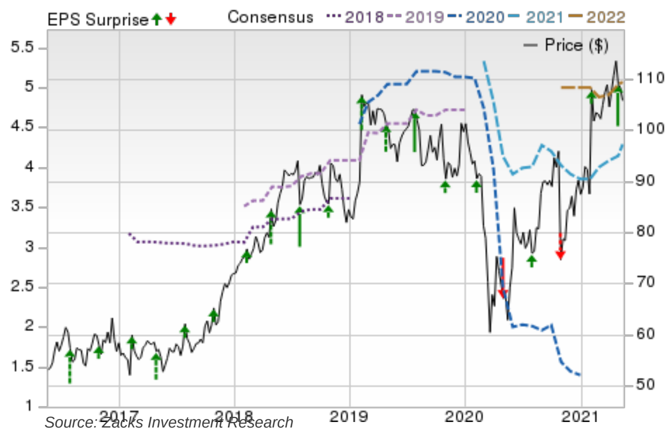
Price Target (6-12 Months): **$120.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 05/03/21) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:C
	Value: D | Growth: A | Momentum: F	

Summary

Columbia Sportswear has outpaced the industry in the past six months. The company has been benefiting from its strong direct-to-consumer e-commerce business, as part of which its Experience First initiative is noteworthy. These upsides aided first-quarter 2021 results, wherein the top and bottom lines grew year over year and beat the Zacks Consensus Estimate. Apart from DTC e-commerce growth, improved brick & mortar traffic aided sales. Markedly, sales increased across all categories, regions and channels. Moreover, the company saw an enhanced gross margin. Impressively, management raised its 2021 view, which takes into account the sequential revival in brick-and-mortar retail traffic and sales. However, the company remains mindful of supply-chain and logistic hurdles due to the pandemic. Also, demand creation investments are expected to be high.

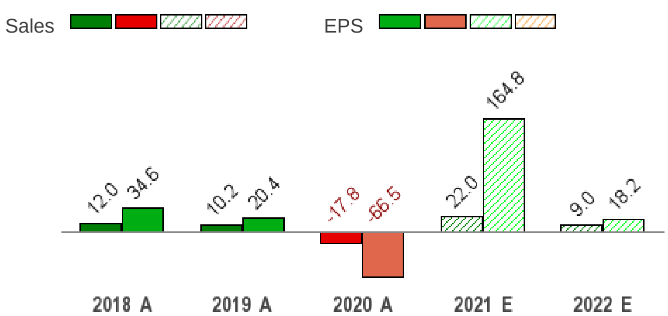
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$114.98 - $66.12**
20-Day Average Volume (Shares)	**445,027**
Market Cap	**$6.9 B**
Year-To-Date Price Change	**19.6%**
Beta	**0.85**
Dividend / Dividend Yield	**$1.04 / 1.0%**
Industry	**Textile - Apparel**
Zacks Industry Rank	**Top 22% (55 out of 251)**
Last EPS Surprise	**154.6%**
Last Sales Surprise	**7.3%**
EPS F1 Estimate 4-Week Change	**5.0%**
Expected Report Date	**07/29/2021**
Earnings ESP	**-36.4%**
P/E TTM	**42.7**
P/E F1	**24.4**
PEG F1	**8.5**
P/S TTM	**2.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	627 E	505 E	936 E	1,120 E	3,326 E
2021	626 A	500 E	897 E	1,041 E	3,052 E
2020	568 A	317 A	701 A	916 A	2,502 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.45 E	$0.18 E	$2.03 E	$2.33 E	$5.07 E
2021	$0.84 A	-$0.09 E	$1.74 E	$1.98 E	$4.29 E
2020	$0.00 A	-$0.77 A	$0.94 A	$1.44 A	$1.62 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 05/18/2021. The report's text and the analyst-provided price target are as of 05/19/2021.

Overview

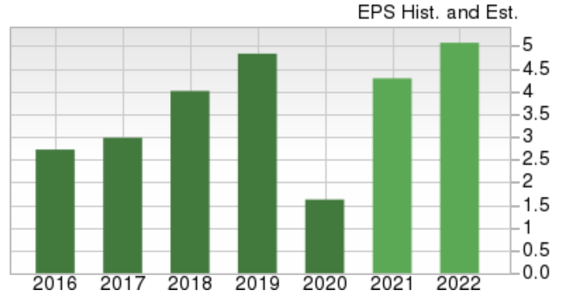
Headquartered in Portland, OR, Columbia Sportswear Company engages in the sourcing, marketing and distribution of outdoor and active lifestyle apparel, footwear, accessories and equipment in the U.S. and internationally.

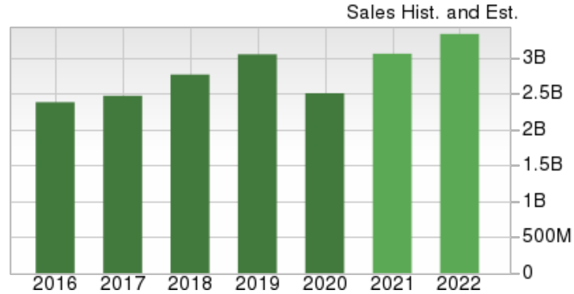
The company offers products under four well-established brands – Columbia, Sorel, Mountain Hardwear and prAna. Amongst other brands, The OutDry and The Pacific Trail are worth mentioning.

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:

Columbia Sportswear has been gaining from brand enhancement initiatives. The company is also benefiting from its direct-to-consumer e-commerce operations.

▲ **Robust Q1 Results & Raised View:** Shares of Columbia Sportswear have rallied 24.7% in the past six months compared with the industry's growth of 16.5%. The company has been benefiting from strength in direct-to-consumer (DTC) e-commerce business – which also aided first-quarter 2021 results. During the quarter, both top and bottom lines increased year over year and exceeded the Zacks Consensus Estimate. The company posted earnings of 84 cents per share compared with breakeven earnings per share in the year-ago period. Moreover, the bottom line came easily surpassed the Zacks Consensus Estimate of 33 cents. Net sales advanced 10% to $625.6 million, beating the consensus mark of $583 million. Sales were backed by DTC e-commerce growth, along with better-than-expected enhancement in DTC brick & mortar trend (on a sequential basis). Sales increased across all categories, regions and channels. Brand-wise, sales improved for Columbia and SOREL.

Encouragingly, management raised its 2021 guidance, which takes into account a quarter-over-quarter revival in brick-and-mortar retail traffic and sales all through 2021. For 2021, the company now expects net sales in the range of $3.04-$3.08 billion, indicating a 21.5-23% increase from the year-ago period. Earlier, the metric was envisioned to be $2.95-$3 billion, suggesting 18-20% growth. In 2021, the company expects all brands and regions to witness growth. For the first half of the year, management now projects net sales growth in the mid to high-20 percent range, up from high-teens percent to low-20 percent range expected before. The raised view is based on solid first-quarter results, growth plans for the global DTC businesses (as the company marks the anniversary of temporary store closures a year ago) and advance Spring 2021 wholesale orders. Coming back to 2021, management envisions earnings per share in the range of $4.05-$4.30 for the ongoing year compared with $3.75-$4.05 expected earlier.

▲ **Enhanced Gross Margin:** In first-quarter 2021, gross margin increased 360 basis points (bps) to 51.4% on reduced reserve provisions, better channel and regional sales mix and a decline in DTC promotional levels. SG&A expenses declined 8% to $254.4 million. As a percentage of sales, the same contracted from 48.7% to 40.7%. The decline in SG&A can be accountable to lower bad debt expense, somewhat negated by increased incentive and personnel expenses. The company's operating income came in at $70.5 million against an operating loss of $2 million a year ago. For 2021, management expects gross margin to expand 110-130 bps to 50-50.2% of sales now, compared with nearly 50% anticipated before. Operating income is expected to be $347-369 million, reflecting operating margin of 11.4-12%. Earlier, operating income was expected to be $320-346 million, reflecting operating margin of 10.8-11.5%.

▲ **Direct-to-Consumer E-Commerce Business – A Major Driver:** The company remains committed to expanding and enhancing its global direct-to-consumer (DTC) business, through accelerated investments. In the first quarter of 2021, the company's DTC channel displayed sales growth of 20%. Notably, e-commerce sales surged 35% in the quarter and formed 20% of the company's total sales mix. Certainly, DTC e-commerce is seeing robust momentum with more consumers opting to shop online. This channel is likely to continue performing well in the forthcoming periods. In fact, management's guidance for 2021 includes continued growth in DTC e-commerce as well as growth revival in DTC brick-and-mortar sales.

▲ **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 on its first-quarter 2021 earnings call noted that it is focused on continuing to build on the recent investments related to X1. Notably, X1 went live in North America for the Columbia, SOREL, and Mountain Hardwear brands in the third quarter of 2020. Prior to this, the company had successfully deployed X1 across Europe and prAana in 2019.

▲ **Financial Analysis:** As of the end of first-quarter 2021 (Mar 31, 2021), Columbia Sportswear had cash, cash equivalents and short-term investments of $874.6 million. Impressively, the company had no borrowings on its balance sheet as of Mar 31, 2021. During the first quarter, the company generated cash from operating activities of $110.9 million, while capital expenditures were $3.9 million. For 2021, Columbia Sportswear expects operating cash flow in a range of $250-$270 million. During the quarter under review, the company repurchased 108,987 shares for $11.2 million. On Mar 31, 2021, the company had $471 million available under its share buyback authorization. Additionally, management announced a quarterly cash dividend of 26 cents per share, which is payable on May 27, 2021. Incidentally, the company has a dividend payout ratio of 42.4%, a dividend yield of 0.9% and a free cash flow yield of 4.8%. With an annual free cash flow return on investment of almost 14.3%, ahead of the industry's 9.9%, the dividend payment is likely to be sustainable.

▲ **Strategic Priorities & Brand Enhancement Efforts:** Management remains focused on its strategic priorities. To this end, it intends to continue with its demand creation investments, which are aimed at driving brand awareness and aiding sales. Further, the company remains committed toward enhancing consumers' experience and its digital capacity in all networks and regions. It will also continue exploring growth opportunities in the DTC business and improving support processes. Finally, the company is keen on investing in its people and optimizing its organization across its brand portfolio. 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. The company launched its fifth annual Star Wars collection in December 2020. The company's 2020 collection based on the hit Disney series helped generate spectacular consumer response. On its first-quarter 2021 earnings call, management said that it has a solid pipeline of new products and technologies, including plans to launch the company's biggest innovation — Omni-Heat Infinity. Certainly, continued focus on innovation helps the company attract more consumers and drive sales.

Risks

- **Impact of COVID-19:** Most of the company-owned stores were open throughout the first quarter, apart from some isolated temporary closures. However, management highlighted that overall brick-and-mortar traffic remained below the year-ago period's level, the company is likely to take time to take its store volumes to the pre-pandemic level. Additionally, the first-quarter performance includes impacts of port congestion and logistic hurdles, which led to delayed Spring 2021 inventory deliveries and receipts. Although Columbia Sportswear raised its guidance for 2021, it remains cautious about the operational hurdles amid the pandemic.

  The company's guidance is based on estimates as of Apr 29 related to the pandemic's impact on its operations, supply chain and logistics capacity hurdles, geopolitical headwinds and changing consumer confidence. Incidentally, management expects hurdles related to supply chain and logistics to persist, which is likely to delay Fall 2021 receipts and deliveries. These, along with increased safety measures undertaken at the company's distribution centers due to the pandemic are leading to escalated freight, distribution and other supply-chain costs.

- **Q2 Challenges:** Columbia Sportswear at its first-quarter earnings release said that its second quarter is usually the company's lowest volume sales quarter. Also, profitability has been challenging for the company in the second quarter due to its fixed cost structure.

- **Cost Concerns:** While the company lifted its margins outlook for 2021, it expects high variable expenses associated with global DTC sales increase, as well as operating costs of distribution centers and other operations. Also, the company expects elevated demand creation spending; escalated incentive compensation and high personnel expenses in 2021. Incidentally, demand creation expenditure is expected to be 6% of sales in 2021, compared with 5.7% in 2020. These factors, along with adverse currency movements are likely to push SG&A costs, though reduced bad debt expenses, organizational restructuring-related cost curtailments and non-recurrence of some expenses are likely to offer respite.

- **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 Tops Q1 Earnings Estimates, Ups View

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	7.25%
EPS Surprise	154.55%
Quarterly EPS	0.84
Annual EPS (TTM)	2.45

Columbia Sportswear reported first-quarter 2021 earnings of 84 cents per share compared with breakeven earnings per share in the year-ago period. Moreover, the bottom line came easily surpassed the Zacks Consensus Estimate of 33 cents.

Net sales advanced 10% to $625.6 million, beating the consensus mark of $583 million. Sales were backed by direct-to-consumer (DTC) e-commerce growth, along with better-than-expected enhancement in DTC brick & mortar trend (on a sequential basis). Sales increased across all categories, regions and channels. Brand-wise, sales improved for Columbia and SOREL, while the same declined for prAna and Mountain Hardwear. In the reported quarter, the direct-to-consumer (DTC) channel displayed sales growth 20% and wholesale net sales rose 3%. Notably, e-commerce sales surged 35% in the quarter and formed 20% of the company's total sales mix.

Gross margin increased 360 basis points (bps) to 51.4% on reduced reserve provisions, better channel and regional sales mix and a decline in DTC promotional levels. SG&A expenses declined 8% to $254.4 million. As a percentage of sales, the same contracted from 48.7% to 40.7%. The decline in SG&A can be accountable to lower bad debt expense, somewhat negated by increased incentive and personnel expenses. The company's operating income came in at $70.5 million against an operating loss of $2 million a year ago.

In the United States, net sales increased 9% to $408.6 million. Further, net sales jumped 27% to $70.8 million in Europe/the Middle East/Africa (EMEA). In Canada, net sales climbed 1% to $34.2 million. Latin America/Asia Pacific (LAAP) net sales advanced 9% to $112 million. Net sales in the Apparel, Accessories and Equipment category jumped 4% to $468.9 million, while the same for Footwear surged 35% to $156.7 million. The Columbia and SOREL brands registered sales growth of 12% and 20%, respectively whereas Mountain Hardwear and prAna brand sales fell 4% and 14%, respectively.

Other Financial Updates

Columbia Sportswear ended the quarter with cash, cash equivalents and short-term investments of $874.6 million and shareholders' equity of $1,868.8 million. The company had no borrowings on its balance sheet as of Mar 31, 2021. During the first quarter, the company generated cash from operating activities of $110.9 million, while capital expenditures were $3.9 million. For 2021, Columbia Sportswear expects operating cash flow in a range of $250-$270 million and capital expenditures are anticipated to be $60-$80 million. During the quarter under review, the company repurchased 108,987 shares for $11.2 million. On Mar 31, 2021, the company had $471 million available under its share buyback authorization.

COVID-19 Update & Outlook

Most of the company-owned stores were open throughout the first quarter, apart from some isolated temporary closures. Management highlighted that overall brick-and-mortar traffic remained below the year-ago period's level. Additionally, first-quarter performance includes impacts of port congestion and logistic hurdles, which led to delayed Spring 2021 inventory deliveries and receipts. Management updated its 2021 outlook, which is based on the company's estimates as of Apr 29 related to the pandemic's impact on its operations, supply-chain and logistics capacity hurdles, geopolitical headwinds and changing consumer confidence. Further, the guidance takes into account quarter-over-quarter revival in brick-and-mortar retail traffic and sales all through 2021.

For 2021, the company now expects net sales in the range of $3.04-$3.08 billion, indicating a 21.5-23% increase from the year-ago period. Earlier, the metric was envisioned to be $2.95-$3 billion, suggesting 18-20% growth. For the first half of the year, management now projects net sales growth in mid to high-20 percent range, up from high-teens percent to low-20 percent range expected before. The raised view is based on solid first-quarter results, growth plans for the global DTC businesses (as the company marks anniversary of temporary store closures a year ago) and advance Spring 2021 wholesale orders. Management also pointed that its second-quarter sales growth (by channel) is likely to be affected by the anniversary of last year's temporary store closures and heightened DTC e-commerce net sales penetration amid the pandemic. Notably, the second quarter is usually the company's lowest volume sales quarter. Also, profitability has been challenging for the company in the second quarter due to its fixed cost structure.

Coming back to 2021, management expects gross margin to expand 110-130 bps to 50-50.2% of sales compared with nearly 50% anticipated before. SG&A expenses are anticipated to rise at a softer rate than sales growth. As a percentage of sales, SG&A expenses are anticipated to be 38.7-39.1% now. Earlier it was expected to be 39.2-39.7%. In 2021, operating income is expected to be $347-369 million, reflecting operating margin of 11.4-12%. Earlier, operating income was expected to be $320-346 million, reflecting operating margin of 10.8-11.5%. Finally, management envisions earnings per share in the range of $4.05-$4.30 for the ongoing year compared with $3.75-$4.05 expected earlier.

Valuation

Columbia Sportswear's shares are up 20.2% in the year-to-date period and 68% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 11.6%, whereas the Zacks Consumer Discretionary sector dipped 1.6% in the year-to-date period. Over the past year, the Zacks sub-industry is up 80.7% while the sector gained 35.5%.

The S&P 500 index is up 12.2% in the year-to-date period and 44.1% in the past year.

The stock is currently trading at 22.8X forward 12-month earnings, which compares to 23.03X for the Zacks sub-industry, 30.31X for the Zacks sector and 21.82X 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 21.28X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $120 price target reflects 26.22X forward 12-month earnings.

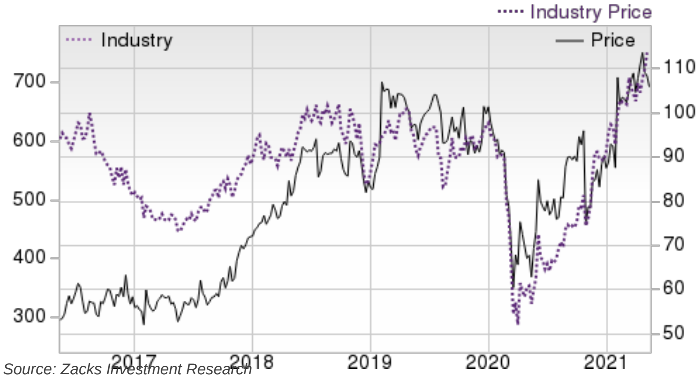
The table below shows summary valuation data for COLM

Valuation Multiples - COLM

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.8	23.03	30.31	21.82
	5-Year High	30.33	29.29	35.41	23.83
	5-Year Low	11.61	13.28	16.24	15.3
	5-Year Median	21.28	18.13	20.33	18.02
P/S F12M	Current	2.2	2.92	2.7	4.68
	5-Year High	2.46	3	2.94	4.74
	5-Year Low	1.18	1.45	1.73	3.21
	5-Year Median	1.97	2.1	2.52	3.71
EV/EBITDA F12M	Current	12.18	21.15	11.52	17.21
	5-Year High	14.91	24.09	12.4	18.81
	5-Year Low	6.33	10.09	8.1	13.02
	5-Year Median	11.77	14.8	10.8	15.84

As of 05/18/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 22% (55 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Crocs, Inc. **(CROX)**	Outperform	1
Gildan Activewear, Inc. **(GIL)**	Outperform	1
Kontoor Brands, Inc. **(KTB)**	Outperform	2
Ralph Lauren Corporation **(RL)**	Outperform	1
Guess, Inc. **(GES)**	Neutral	3
GIII Apparel Group, LTD. **(GIII)**	Neutral	3
Hanesbrands Inc. **(HBI)**	Neutral	3
lululemon athletica inc. **(LULU)**	Neutral	4

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

Industry Comparison Industry: Textile - Apparel

				Industry Peers		
	COLM	**X Industry**	**S&P 500**	**GES**	**GIL**	**LULU**
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	1	-	-	3	1	4
VGM Score	C	-	-	A	D	B
Market Cap	6.95 B	1.62 B	30.10 B	1.89 B	7.03 B	40.68 B
# of Analysts	5	4	12	3	5	14
Dividend Yield	0.99%	0.00%	1.31%	1.53%	0.00%	0.00%
Value Score	D	-	-	A	F	C
Cash/Price	0.12	0.12	0.05	0.25	0.08	0.03
EV/EBITDA	21.22	14.26	17.45	158.35	-224.62	39.34
PEG F1	8.52	1.46	2.20	NA	0.66	2.63
P/B	3.72	3.54	4.16	3.30	4.22	15.90
P/CF	27.18	15.21	17.38	26.38	63.40	50.77
P/E F1	24.37	19.91	21.80	18.48	18.95	48.28
P/S TTM	2.71	1.01	3.53	1.01	3.33	9.24
Earnings Yield	4.10%	4.83%	4.53%	5.42%	5.28%	2.07%
Debt/Equity	0.00	0.57	0.66	0.58	0.64	0.00
Cash Flow ($/share)	3.85	1.68	6.82	1.11	0.56	6.15
Growth Score	A	-	-	B	C	A
Historical EPS Growth (3-5 Years)	0.39%	-10.81%	9.39%	-12.24%	-34.64%	25.70%
Projected EPS Growth (F1/F0)	164.69%	123.26%	20.09%	2,366.71%	1,138.89%	37.51%
Current Cash Flow Growth	-42.75%	-30.42%	0.61%	-61.91%	-77.65%	-0.80%
Historical Cash Flow Growth (3-5 Years)	1.98%	-5.13%	7.37%	-14.25%	-26.06%	19.03%
Current Ratio	3.80	2.02	1.39	1.62	4.75	2.41
Debt/Capital	0.00%	36.33%	41.58%	36.92%	38.97%	0.00%
Net Margin	6.40%	0.12%	11.70%	-4.33%	-1.30%	13.38%
Return on Equity	9.25%	3.86%	15.91%	-0.91%	3.11%	28.68%
Sales/Assets	0.94	0.93	0.50	0.79	0.68	1.21
Projected Sales Growth (F1/F0)	21.99%	21.99%	9.06%	31.29%	34.86%	28.42%
Momentum Score	F	-	-	D	B	B
Daily Price Change	-1.27%	-0.16%	-0.83%	-2.56%	-1.58%	-0.80%
1-Week Price Change	-2.26%	-0.04%	-0.87%	0.10%	-1.94%	-4.72%
4-Week Price Change	-3.90%	2.96%	1.84%	9.53%	7.88%	-1.35%
12-Week Price Change	-0.03%	9.00%	9.84%	14.00%	33.38%	-3.35%
52-Week Price Change	57.04%	104.75%	48.66%	293.03%	169.30%	24.11%
20-Day Average Volume (Shares)	445,027	54,790	1,913,723	660,502	471,520	977,377
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	5.05%	0.41%	1.90%	0.00%	24.67%	-0.14%
EPS F1 Estimate 12-Week Change	7.20%	4.00%	2.54%	7.21%	35.51%	-2.83%
EPS Q1 Estimate Monthly Change	50.19%	0.00%	1.08%	0.00%	11.97%	-2.14%

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	D
Growth Score	A
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.

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.

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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.