Oct 09, 2020

Dollar General (DG)

$218.88 (As of 10/08/20)

Price Target (6-12 Months): **$232.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 08/28/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: A | Momentum: A	**3-Hold** VGM:A

Summary

Shares of Dollar General have risen and outpaced the industry in the past six months. The stock may scale new highs with solid prospects, brand recognition and strategic endeavors such as the new store concept, popshelf, likely to act as propellants. We believe better pricing, private label offering, inventory management and merchandise initiatives should drive sales. These along with focus on consumable and non-consumable categories with impressive comps run are noteworthy. Also, in the wake of coronavirus outbreak the company has been witnessing a healthy demand. A reflection of the same was visible in second-quarter fiscal 2020 results, wherein both the top and the bottom line beat the Zacks Consensus Estimate and grew year over year. However, incremental investments in pay and benefits and deleverage in SG&A expenses may hurt margins.

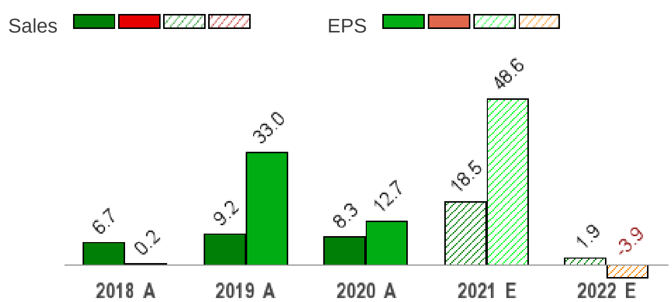
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$219.40 - $125.00**
20-Day Average Volume (Shares)	**1,757,797**
Market Cap	**$54.5 B**
Year-To-Date Price Change	**40.3%**
Beta	**0.46**
Dividend / Dividend Yield	**$1.44 / 0.7%**
Industry	**Retail - Discount Stores**
Zacks Industry Rank	**Top 42% (105 out of 252)**
Last EPS Surprise	**27.9%**
Last Sales Surprise	**4.3%**
EPS F1 Estimate 4-Week Change	**2.3%**
Expected Report Date	**12/03/2020**
Earnings ESP	**4.6%**
P/E TTM	**23.8**
P/E F1	**21.9**
PEG F1	**1.8**
P/S TTM	**1.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	8,137 E	8,541 E	8,402 E	8,456 E	33,500 E
2021	8,448 A	8,684 A	7,969 E	7,903 E	32,876 E
2020	6,623 A	6,982 A	6,991 A	7,158 A	27,754 A

EPS Estimates

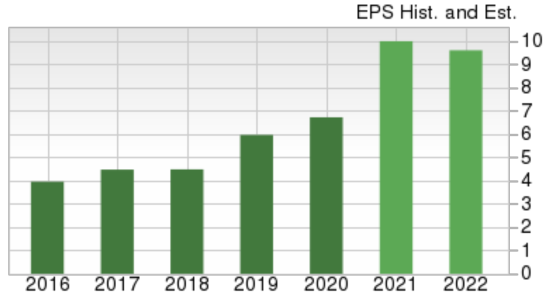
	Q1	Q2	Q3	Q4	Annual*
2022	$2.21 E	$2.70 E	$2.07 E	$2.81 E	$9.61 E
2021	$2.56 A	$3.12 A	$1.91 E	$2.50 E	$10.00 E
2020	$1.48 A	$1.74 A	$1.42 A	$2.10 A	$6.73 A

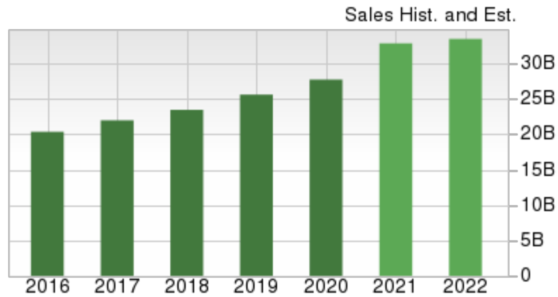
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/08/2020. The reports text is as of 10/09/2020.

Overview

Founded in 1939 and headquartered in Goodlettsville, Tennessee, Dollar General Corporation is one of the largest discount retailers in the United States. The company trades in low priced merchandise typically $10 or less.





The company offer a wider selection of merchandise, including consumable items, seasonal items, home products and apparel. The company's merchandise comprises national brands from leading manufacturers, as well as own private brand selections with prices at substantial discounts to national brands.

The company sells products from America's renowned manufacturers such as Clorox, Energizer, Procter & Gamble, Hanes, Coca-Cola, Mars, Unilever, Nestle, Kimberly-Clark, Kellogg's, General Mills, and PepsiCo.

As of Jul 31, 2020, Dollar General operated approximately 16,720 stores across 46 states. It offers general merchandise under four categories, namely, Consumables, Seasonal, Home products and Apparel.

The Consumables Category (78% of Fiscal 2019 Sales) is the leading one, consisting of cleaning products, health & beauty products, snacks, perishables, packaged food and pet supplies and food.

The Seasonal Products (11.7% of Fiscal 2019 Sales) Category consists of prepaid phones and accessories, small electronics, batteries, toys, greeting cards, hardware, decorations, automotive gardening supplies, stationery and home office supplies.

The Home products Category (5.8% of Fiscal 2019 Sales) includes kitchen supplies, candles small appliances, light bulbs, cookware, frames, craft supplies, bed & bath soft goods and storage containers.

The Apparel Category (4.5% of Fiscal 2019 Sales) offers casual daily wear for infants, children, girls, boys, women and men, along with socks, intimate wear, disposable diapers, accessories and shoes.

Source: Zacks Investment Research

Reasons To Buy:

> We believe Dollar General's commitment towards better price management, cost containment, effective inventory management, merchandise and operational initiatives should drive sales higher.

▲ **Growth Catalysts Driving Stock:** Shares of Dollar General have increased 29.4% in the past six months compared with the industry's gain of 26.4%. The company's commitment toward better price management, cost containment, private label offering, effective inventory management, merchandise and operational initiatives should drive sales and margin trends. Moreover, in order to increase traffic, the company is focusing on both consumables and discretionary categories. Based on learnings and insights from non-consumables initiative, Dollar General unveiled a new retail store concept, popshelf. The first two popshelf locations will be opened near Nashville, Tennessee this fall. The company plans to open approximately 30 locations by the end of fiscal 2021.

Dollar General's stellar performance in second-quarter fiscal 2020, also acted as a propellant. Notably, both the top and the bottom lines not only beat the Zacks Consensus Estimate but also grew year over year. The retailer also witnessed sturdy same-store sales performance. Management stated that change in consumer behavior due to the coronavirus pandemic had a favorable impact on the company's performance. Although management withdrew its fiscal 2020 guidance issued on Mar 12, it still expects the company to surpass the same. The company had earlier projected an increase of 10% in earnings per share on a year-over-year basis.

▲ **Customer-Oriented Efforts:** Dollar General is also offering better-for-you products at affordable prices. The offering is available in approximately 6,400 stores with plans to expand to nearly 7,000 stores by end of the year. In addition, the company is expanding its cooler facilities to enhance the sale of perishable items. During the first half of fiscal 2020, the company installed more than 30,000 cooler doors across its store base, and plans to install roughly more than 60,000 cooler doors in the year. Notably, the company has been expanding DG GO! mobile checkout. Moreover, the company's DG Pickup initiative, which is buy online and pickup in store, is also gaining traction. Management introduced two transformational strategic initiatives — DG Fresh, designed to enable self-distribution of fresh and frozen products and Fast Track, an in-store labor productivity and customer convenience initiative. By the end of fiscal 2020, the company plans to operate up to ten DG Fresh distribution facilities, which will serve roughly 14,000 stores. The company expanded the number of stores offering fresh produce to approximately 870. Additionally, the non-consumable initiative offering was available across 4,300 stores at the end of the quarter under review. The company plans to expand the offering to more than 5,400 stores by the end of fiscal 2020. Also, Dollar General has entered into a strategic alliance with FedEx Corp. and Western Union.

▲ **Impressive Same-Store Sales Performance:** Dollar General's same-store sales growth story is impressive. Fiscal 2019 was the 30th consecutive year of same-store sales growth for the company. Notably, the trend continued in fiscal 2020 as well. After increasing 21.7% in the first quarter, same-store sales surged 18.8% year over year during the second quarter, primarily owing to rise in average transaction amount. Consumables, Seasonal, Apparel and Home categories favorably impacted the metric. The metric improved 21.5% in May, 17.9% in June, and 17.2% in July. Dollar General informed that since the end of the second quarter, it has continued to witness "elevated demand" across its stores. Consequently, from Aug 1 through Aug 25, same-store sales have risen roughly 15% compared with prior-year period.

▲ **Active Management of Cash Flows:** Dollar General has been actively managing cash flows, returning much of free cash to investors through share repurchases and dividends. The company generated significant cash flow from operations during second-quarter fiscal 2020, totaling $2.9 billion, reflecting an increase of 157.2% from the year-ago period. Notably, the company bought back 3.2 million shares for $602 million during the quarter. The company still had $481 million remaining under authorization at the end of the quarter. Also, the company's board of directors increased the share repurchase authorization by $2 billion on Aug 26, 2020. The company expects to repurchase shares worth $2.5 billion during fiscal 2020. Also, we note that in March 2020, the company raised the quarterly dividend by 12.5% to 36 cents a share. Notably, the company has a dividend payout of 15.7%, dividend yield of 0.7% and free cash flow yield of 6%. With an annual free cash flow return on investment of 29.8%, ahead of the industry's nearly 12.8%, the dividend payment is likely to be sustainable.

▲ **Store Expansion Strategy:** The company has been making prudent investments relating to store infrastructure, store openings, expansions, remodels and relocations; and construction and improvement of distribution centers to drive revenues. The company incurred capital expenditures of $424 million during the 26-week period ended on Jul 31. For fiscal 2020, it anticipates capital expenditures in the range of $1-$1.1 billion. In fiscal 2020, the company now intends to open 1,000 new stores, remodel 1,670 stores, and relocate 110 stores. The company expects approximately 75% of the planned remodels in fiscal 2020 to use a higher-cooler-count store format. During the 26-week period ended on Jul 31, the company opened 500 new outlets, remodeled 973 stores (including 704 in the higher cooler count DGTP or DGP formats) and relocated 43 stores. The company also added produce in more than 120 stores, bringing the total number of stores, which carry produce to over 870.

▲ **Financial Flexibility:** Dollar General ended second-quarter fiscal 2020 with cash and cash equivalents of $2,960 million, which reflects an increase of 10.7% on a sequential basis. Also, the company had $1.1 billion available under its revolving credit facility. Although the company's long-term debt of $4,089 million, showcased an increase of 3.1% on a quarter-on-quarter basis, we note that the company's times interest earned ratio increased to 26.1 from 25.3 at the end of the preceding quarter. Moreover, the company's debt-to-capitalization ratio of 0.36 stands lower than that of the industry's 0.48.

Reasons To Sell:

Incremental investments in pay and benefits for team members, any supply chain disruptions, and increase in distribution and transportation costs may hurt margins.

- **Near Term Hurdles:** Looking ahead, management expects that Dollar General might be impacted by any unfavorable change in consumer demand for certain product categories, disruption in supply chain, any unprecedented increase in distribution and transportation costs, higher payroll expenses, and rise in expenses associated to maintain safe work and shopping environments. Again, rising unemployment, reduced economic activity, uncertainty regarding additional stimulus benefits and capital markets volatility remain deterrents.

  We note that the company invested approximately $13 million in employee appreciation bonuses during the second quarter of fiscal 2020, taking the total to about $73 million through the end of the quarter. Additionally, it expects to invest up to $50 million in additional financial incentives in the second half of the year. Also, management expects same-store sales trends to moderate through the back half.

- **Higher SG&A Expenses May Strain Margins:** Although SG&A expenses as a percentage of net sales contracted 205 basis points to 20.4% in the second quarter of fiscal 2020, it surged 13% in dollar terms. This follows an increase of 16% and 8.3% in the preceding two quarters. Evidently, any deleverage in SG&A expenses may weigh on the company's profitability. Management reiterated its plan to spend on strategic endeavors such as DG Fresh and non-consumable initiative or NCI offering. Further, any supply chain pressures and tariffs may weigh on margins.

- **Macroeconomic Factors May Impact Sales:** The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, high household debt levels and tariffs, which may negatively impact their discretionary spending, and in turn the company's growth and profitability. Any unfavorable changes in trade policy may result in higher prices for our customers and may negatively impact their budgets, consequently their discretionary spending. Moreover, any cut in Supplemental Nutrition Assistance Program, which is expected to lower the purchasing power of low-income consumers, may also impact sales of Dollar General.

- **Competitive Pressure:** The retail landscape has been witnessing a sea change with the focus gradually shifting to online shopping. Dollar General operates in the highly competitive discount retail merchandise sector. The company faces stiff competition from Wal-Mart, Target, Dollar Tree, Fred's, 99 Cents Only and various other local, independent operators as well as other forms of retail commerce such as online retailers, contingent on location, price and quality of merchandise, in-stock consistency, merchandise assortments, and customer service. Some of these competitors boast superior financial, distribution, and marketing resources. We believe that unhealthy price competition to gain market share and attract footfall might weigh on the company's profit margins.

Last Earnings Report

Dollar General's Q2 Earnings Beat Estimates, Comps Rise

Quarter Ending	07/2020
Report Date	**Aug 27, 2020**
Sales Surprise	**4.28%**
EPS Surprise	**27.87%**
Quarterly EPS	**3.12**
Annual EPS (TTM)	**9.20**

Dollar General Corporation registered a stellar performance in second-quarter fiscal 2020, wherein both the top and the bottom lines not only beat the Zacks Consensus Estimate but also grew year over year. The discount retailer also witnessed sturdy same-store sales performance. Management stated that change in consumer behavior due to the coronavirus pandemic had a favorable impact on the company's performance.

The company informed that since the end of the second quarter, it has continued to witness "elevated demand" across its stores. Consequently, from Aug 1 through Aug 25, same-store sales have risen roughly 15% compared with prior-year period.

Let's Delve Deep

Quarterly earnings came in at $3.12 per share that comfortably surpassed the Zacks Consensus Estimate of $2.44 and increased significantly from $1.74 reported in the prior-year period. The year-over-year increase in the bottom line can be attributed to higher net sales and share repurchase activity. Notably, this was the sixth straight quarter of positive earnings surprise.

Net sales of $8,684.2 million increased 24.4% from the prior-year period and came ahead of the Zacks Consensus Estimate of $8,328.2 million for the ninth quarter in row. Contribution from new outlets and same-store sales growth favorably impacted the top line, partially offset by the impact of store closures.

Dollar General's same-store sales increased 18.8% year over year primarily owing to rise in average transaction amount, partly offset by a decline in customer traffic. Consumables, Seasonal, Apparel and Home categories favorably impacted the metric.

Sales in the Consumables category increased 19.7% to $6,496.4 million, while the same in Seasonal category witnessed a rise of 36% to $1,161.6 million. Home Products sales soared 56.2% to $586 million, while Apparel category sales grew 35.6% to $440.3 million.

Gross profit surged 31.1% to $2,818.2 million during the quarter under review. Notably, gross margin expanded 167 basis points to 32.5% mainly due to higher initial markups on inventory purchases, a significant percentage of sales coming from non-consumables product categories and a reduction in markdowns. This was partly offset by higher distribution and transportation expenses.

Meanwhile, adjusted operating income surged 71.3% to $1,042.6 million, whereas adjusted operating margin increased to 12% from 8.7% in the year-ago period.

Store Update

During the 26-week period ended on Jul 31, the company opened 500 new outlets, remodeled 973 stores (including 704 in the higher cooler count DGTP or DGP formats) and relocated 43 stores. The company also added produce in more than 120 stores, bringing the total number of stores, which carry produce to over 870. In fiscal 2020, the company now intends to open 1,000 new stores, remodel 1,670 stores, and relocate 110 stores.

Other Financial Details

Dollar General ended the quarter with cash and cash equivalents of $2,959.6 million, long-term obligations of $4,089 million and shareholders' equity of $7,356.1 million. The company incurred capital expenditures of $424 million during the 26-week period ended on Jul 31. For fiscal 2020, it anticipates capital expenditures in the range of $1-$1.1 billion versus prior projection of $925-$975 million.

Dollar General resumed share repurchases during the second quarter, after temporarily suspending the same in the preceding quarter in order to assess the implications of the pandemic. Notably, the company bought back 3.2 million shares for $602 million during the quarter. The company still had $481 million remaining under authorization at the end of the quarter. Also, the company's board of directors increased the share repurchase authorization by $2 billion on Aug 26, 2020. The company expects to repurchase shares worth $2.5 billion during fiscal 2020.

Recent News

Dollar General Unveils New Store Concept – Oct 8, 2020

Dollar General unveiled a new retail store concept, popshelf, with the aim to offer customers fun, affordable and stress-free shopping experience. The first two popshelf locations will be opened near Nashville, Tennessee this fall. The company plans to open approximately 30 locations by the end of fiscal 2021. These stores will offer on-trend seasonal and home décor, health and beauty must-haves, home cleaning supplies, party goods, entertaining needs and much more. The company informed that approximately 95% of items will be price priced at $5 or less. The stores with size of 9,000 square feet will initially target female customers who are located in diverse suburban communities with a total household annual income ranging from $50,000-$125,000.

Valuation

Dollar General shares are up 40.3% in the year-to-date period and 36.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 13.8% and 35.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 17.2% and 45.1%, respectively.

The S&P 500 index is up 7.1% in the year-to-date period and 17.6% in the past year.

The stock is currently trading at 22.49X forward 12-month earnings, which compares to 27.56X for the Zacks sub-industry, 32.34X for the Zacks sector and 22.52X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.52X and as low as 13.69X, with a 5-year median of 17.2X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $232 price target reflects 23.84X forward 12-month earnings.

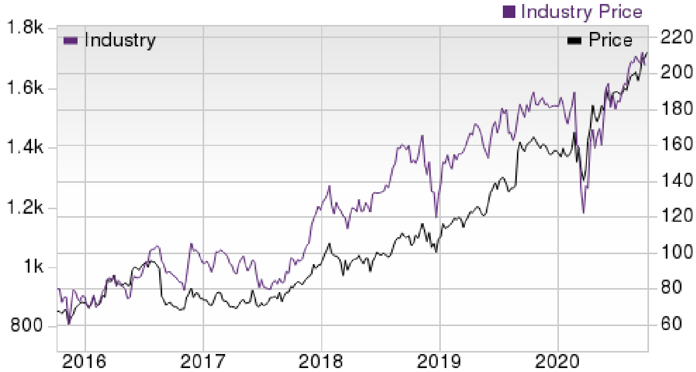
The table below shows summary valuation data for DG

Valuation Multiples - DG

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.49	27.56	32.34	22.52
	5-Year High	24.52	29.98	33.99	23.47
	5-Year Low	13.69	17.93	19.09	15.27
	5-Year Median	17.2	20.18	23.59	17.7
P/S F12M	Current	1.64	1.55	1.33	4.14
	5-Year High	1.64	1.55	1.33	4.3
	5-Year Low	0.78	0.95	0.84	3.18
	5-Year Median	1.04	1.16	1.01	3.67
EV/EBITDA TTM	Current	15.21	27.7	20.41	15.1
	5-Year High	17.15	27.7	20.71	15.66
	5-Year Low	8.87	10.96	10.7	9.53
	5-Year Median	13.02	14.27	12.98	13.08

As of 10/08/2020 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Top 42% (105 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Big Lots, Inc. **(BIG)**	Outperform	2
Grocery Outlet Holding Corp. **(GO)**	Outperform	1
Ollies Bargain Outlet Holdings, Inc. **(OLLI)**	Outperform	2
Target Corporation **(TGT)**	Outperform	1
Burlington Stores, Inc. **(BURL)**	Neutral	4
Costco Wholesale Corporation **(COST)**	Neutral	3
Dollar Tree, Inc. **(DLTR)**	Neutral	3
The TJX Companies, Inc. **(TJX)**	Underperform	4

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

Industry Comparison Industry: Retail - Discount Stores

	DG	X Industry	S&P 500	COST	DLTR	TGT
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	3	1
VGM Score	A	-	-	A	A	B
Market Cap	54.51 B	18.09 B	24.20 B	161.09 B	21.72 B	81.03 B
# of Analysts	18	11	14	14	10	13
Dividend Yield	0.66%	0.00%	1.6%	0.77%	0.00%	1.68%
Value Score	C	-	-	C	B	C
Cash/Price	0.06	0.09	0.07	0.08	0.08	0.09
EV/EBITDA	19.82	12.55	13.53	24.24	10.42	12.09
PEG F1	1.82	3.13	2.90	4.56	1.61	3.13
P/B	7.41	7.41	3.54	8.61	3.19	6.44
P/CF	24.60	16.94	13.37	28.92	10.32	13.90
P/E F1	21.89	22.63	21.94	38.17	17.39	22.63
P/S TTM	1.74	0.97	2.66	0.97	0.88	0.96
Earnings Yield	4.57%	3.52%	4.31%	2.62%	5.75%	4.42%
Debt/Equity	0.56	0.51	0.70	0.40	0.47	1.13
Cash Flow ($/share)	8.90	6.38	6.92	12.62	8.87	11.64
Growth Score	A	-	-	A	B	A
Historical EPS Growth (3-5 Years)	16.70%	8.97%	10.45%	13.51%	16.74%	6.65%
Projected EPS Growth (F1/F0)	48.62%	9.65%	-3.01%	8.07%	10.57%	11.94%
Current Cash Flow Growth	9.68%	7.36%	5.47%	8.77%	-55.39%	10.26%
Historical Cash Flow Growth (3-5 Years)	9.69%	9.69%	8.50%	10.65%	19.78%	3.95%
Current Ratio	1.40	1.46	1.35	1.13	1.22	1.11
Debt/Capital	35.73%	33.92%	42.90%	28.66%	32.12%	53.01%
Net Margin	7.48%	3.01%	10.28%	2.40%	3.61%	4.16%
Return on Equity	33.51%	20.30%	14.79%	22.71%	18.52%	30.25%
Sales/Assets	1.30	1.33	0.51	3.21	1.22	1.89
Projected Sales Growth (F1/F0)	18.45%	7.30%	-0.62%	7.50%	7.30%	12.36%
Momentum Score	A	-	-	B	B	D
Daily Price Change	2.03%	0.65%	1.28%	0.57%	1.08%	0.73%
1-Week Price Change	1.50%	1.50%	2.13%	3.63%	1.50%	3.08%
4-Week Price Change	11.04%	7.64%	4.49%	7.53%	1.42%	10.83%
12-Week Price Change	15.86%	15.31%	6.74%	11.90%	-5.28%	32.73%
52-Week Price Change	36.36%	2.53%	6.65%	22.87%	-19.65%	46.39%
20-Day Average Volume (Shares)	1,757,797	1,778,482	2,121,744	2,738,973	1,873,499	2,859,620
EPS F1 Estimate 1-Week Change	0.73%	0.00%	0.00%	0.12%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.27%	0.00%	0.00%	1.36%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	13.14%	3.76%	3.47%	3.27%	4.26%	44.34%
EPS Q1 Estimate Monthly Change	3.52%	0.23%	0.00%	0.47%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	A
Momentum Score	A
VGM Score	A

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

Disclosures

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Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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