

DICKS Sporting Goods (DKS)

\$59.49 (As of 11/27/20)

Price Target (6-12 Months): **\$68.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 11/27/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:A

Value: A

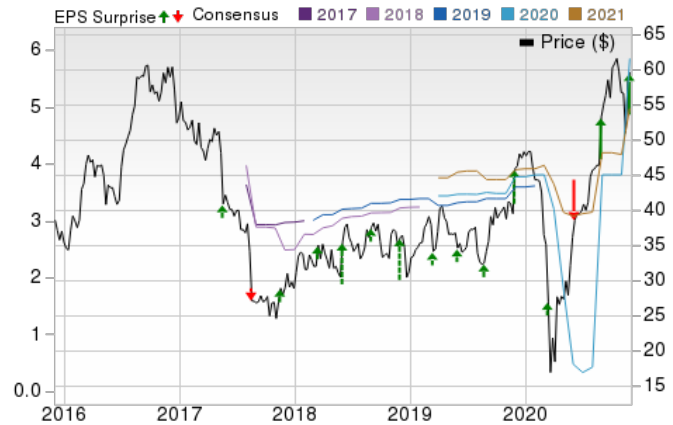
Growth: A

Momentum: A

Summary

Shares of DICK'S Sporting have outpaced the industry in the past three months on solid third-quarter fiscal 2020 results, wherein both top and bottom lines improved year over year. Favorable customer demand, a solid product portfolio and strength in the online platform aided results. Strength in its core categories, including hardlines, apparel and footwear also bode well. The company notes that comps momentum continued in the fourth quarter driven by healthy demand. Further, e-commerce continues to gain from strong online demand and improved omnichannel capabilities, including curbside pickup services and BOPIS. Also, its decision to resume dividend payments is boosting investor confidence. However, COVID-19 related costs, including extra compensation and safety expenses hurt the third-quarter bottom line to some extent.

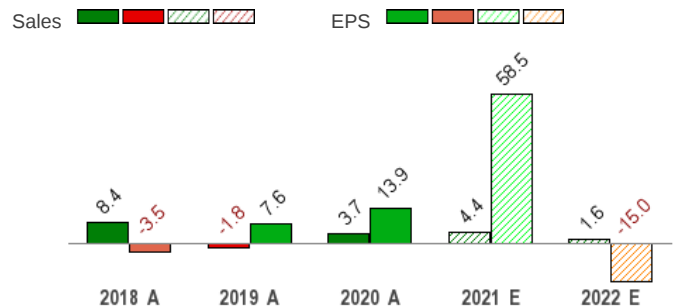
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$63.29 - \$13.46
20-Day Average Volume (Shares)	2,856,027
Market Cap	\$5.3 B
Year-To-Date Price Change	20.2%
Beta	1.83
Dividend / Dividend Yield	\$1.25 / 2.1%
Industry	Retail - Miscellaneous
Zacks Industry Rank	Top 19% (48 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	113.8%
Last Sales Surprise	7.0%
EPS F1 Estimate 4-Week Change	5.8%
Expected Report Date	NA
Earnings ESP	3.9%
P/E TTM	11.2
P/E F1	10.2
PEG F1	1.8
P/S TTM	0.6

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,938 E	2,450 E	2,120 E	2,876 E	9,281 E
2021	1,333 A	2,713 A	2,412 A	2,841 E	9,137 E
2020	1,921 A	2,259 A	1,962 A	2,609 A	8,751 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.67 E	\$1.66 E	\$0.77 E	\$1.67 E	\$4.97 E
2021	-\$1.21 A	\$3.21 A	\$2.01 A	\$2.03 E	\$5.85 E
2020	\$0.62 A	\$1.26 A	\$0.52 A	\$1.32 A	\$3.69 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 11/27/2020. The reports text is as of 11/30/2020.

Overview

DICK'S Sporting Goods Inc. was founded in 1948 in New York under the labels Dick's Clothing and Sporting Goods, Inc. It was earlier reincorporated as a Delaware corporation and changed our name to Dick's Sporting Goods, Inc. in April 1999. The company's executive office is located in Coraopolis, Pennsylvania.

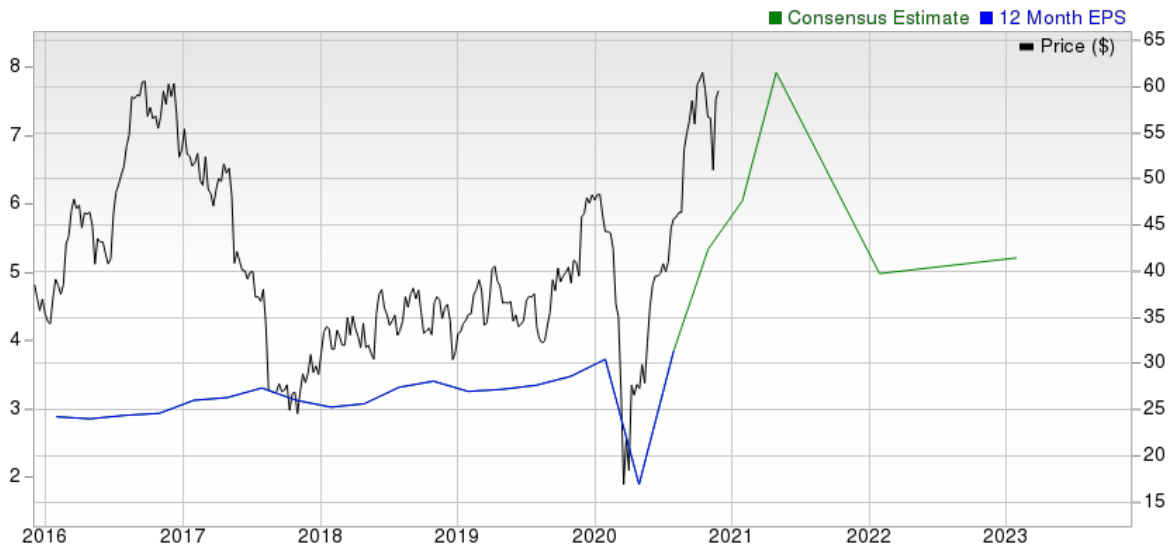
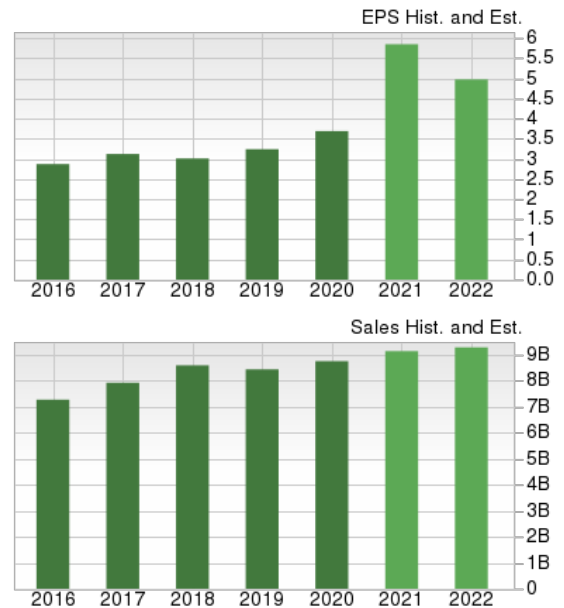
The company operates as a major omni-channel sporting goods retailer, offering athletic shoes, apparel, accessories and a broad selection of outdoor and athletic equipment for team sports, fitness, camping, fishing, tennis, golf, water sports, etc.

DICK'S Sporting offers these items through a blend of associates, in-store services and unique specialty shop-in-shops. DICK'S Sporting also owns operates Golf Galaxy and Field & Stream stores as well as Team Sports HQ. It also operates all-in-one youth sports digital platform, which offer scheduling, communications and live scorekeeping via the GameChanger mobile apps, free league management services, custom uniforms and fan wear.

The company also operates through its e-commerce websites and catalog operations. The company operates 4 kinds of stores – a) single-level DICK'S Sporting stores of approximately 50,000 square feet, b) two-level DICK'S Sporting store of approximately 80,000 square feet, c) DICK'S Sporting stores for smaller markets of about 35,000–40,000 square feet, and d) 13,000–18,000 square feet Golf Galaxy stores.

DICK'S Sporting stocks nationally recognized brands such as Callaway Golf, adidas, TaylorMade-adidas Golf, The North Face, Asics, Under Armour, Nike, Columbia and Remington.

As of Oct 31, 2020, DICK'S Sporting operated 732 DICK'S Sporting Goods stores across 47 states.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Solid Q3 Results Boost Stock:** Shares of DICK'S Sporting have gained 9.9% in the past three months outperforming the industry's growth of 5.3%. The stock's bullish run on the bourses can be attributable to better-than-expected third-quarter fiscal 2020 results, wherein both top and bottom lines improved year over year. Results gained from favorable customer demand, a solid product portfolio and strength in the online platform. Net sales of \$2,412.1 million rose 22.9% year over year on the back of improved store sales and a robust online show. Notably, consolidated same-store sales (comps) grew 23.2%, driven by 19.6% rise in average ticket and 3.6% increase in transactions. Also, strength in hardlines, apparel and footwear contributed to quarterly growth. Moreover, store comps grew in double-digits and accounted for 90% of third-quarter sales. Going forward, the company noted that this strong momentum continued in the fourth quarter. In fact, consolidated comps grew in high teens in the first three weeks of the fourth quarter.

DICK'S Sporting gains from its solid online show which led to 95% rise in e-commerce sales during Q3. Also, strength in core categories including hardlines, apparel and footwear bode well.

▲ **Initiatives – Omni-channel Growth:** DICK'S Sporting has been gaining from continued focus on developing every possible avenue to generate greater sales. As part of its long-term plan, the company plans to make significant investments in e-commerce, technology, store payroll, Team Sports and private brands. It also remains on track to build the best omni-channel experience for athletes by strengthening store network and expanding e-commerce presence. Despite coronavirus woes, the company has been witnessing strong online show driven by strong online demand and improved omni-channel capabilities including curbside pickup services and BOPIS. Notably, e-commerce soared 95% in the fiscal third quarter. As a result, e-commerce was nearly 21% of net sales in the reported quarter compared with 13% in the prior-year quarter. Further, mobile sales penetration grew more than 50% with an uptick in mobile app downloads. Also, its stores fulfilled roughly 70% of online sales to meet customers' growing online demand.

On the store-front, it earlier launched two types of concept stores namely OVERTIME by DICK'S Sporting Goods and DICK'S Sporting Goods Warehouse. This will bring the total number of outlet and clearance stores to 11 at nine different states. This move is in sync with its plans to expand outlet and clearance stores in a bid to offer popular athletic brands at discounted prices. Apart from these, it launched six DICK'S Sporting Goods stores, two combination DICK'S and Golf Galaxy stores, and three DICK'S Sporting Goods Warehouse stores. This brings the total count to 732 DICK'S Sporting Goods stores, 97 Golf Galaxy stores and 14 Warehouse Sale stores in 47 states.

▲ **Financial Flexibility:** DICK'S Sporting's remains committed to reducing debt for a while now. Notably, the company ended fiscal 2020 with cash and cash equivalents of \$1,060 million and no borrowings under its \$1.9-billion revolving credit facility. Such upsides are likely to help the company stay afloat amid the pandemic.

▲ **Shareholder-Friendly Moves:** DICK'S Sporting boasts a good history of returning value to shareholders. The company recently announced to resume dividend payment after it had suspended dividend payments in wake of the ongoing pandemic. Although the company did not repurchase any shares in the reported quarter, it has resumed its dividend program. It approved a dividend of 31.25 cents per share on its Common Stock and Class B Common Stock, which is payable on Dec 29 as of shareholders record on Dec 11. Moreover, the company has a five-year annualized dividend growth rate of 20.8%, reflecting dividend increases for five consecutive years. It currently has a dividend yield of 2.1%, dividend payout ratio is 23.5% and free cash flow yield of 10%. Moreover, DICK'S Sporting is likely to resume share repurchases under its existing share repurchase program of \$1 billion.

Risks

- **COVID-19 Related Cost Remain a Drag:** During third-quarter fiscal 2020, the company incurred \$48 million of extra compensation and safety expenses associated with the COVID-19 crisis. Also, the bottom line included \$124 million of COVID-related compensation and safety costs. Any further increase in costs related to the ongoing COVID-19 situation may weigh on the company's bottom line in the near term. Moreover, it remains uncertain about impacts of COVID-19 as a result of which, it did not provide guidance for fiscal 2020.
 - **Seasonality Affects Performance:** DICK'S Sporting's business is seasonal in nature and typically generates stronger sales during the fourth quarter, which is characterized by the holiday and winter sports selling seasons. As a result, the company is exposed to significant risks if the seasons fail to deliver the expected operating performance.
 - **Competitive Pressure:** DICK'S Sporting faces intense competition from other sporting goods retailers on grounds of size, availability of financial, distribution and marketing resources, pricing strategies and retail sales methods. The company's inability to stay afloat amid such competition may result in loss of market share and adversely impact its business.
-

Last Earnings Report

DICK'S Sporting's Q3 Earnings & Sales Surpass Estimates

DICK'S Sporting posted better-than-expected third-quarter fiscal 2020 results, wherein both top and bottom lines improved year over year. Results gained from favorable customer demand, a solid product portfolio and strength in the online platform. Going forward, the company noted that this strong momentum continued in the fourth quarter, which was somewhat hurt by adverse weather.

Q3 in Detail

In the fiscal third quarter, DICK'S Sporting reported adjusted earnings of \$2.01 per share, up more than three-fold from 52 cents in the prior-year quarter. The figure also surpassed the Zacks Consensus Estimate of 94 cents per share.

Net sales of \$2,412.1 million rose 22.9% year over year and exceeded the Zacks Consensus Estimate of \$2,254 million. This uptick can be attributable to improved store sales and a robust online show. Notably, consolidated same-store sales (comps) grew 23.2% with e-commerce sales surging 95% year over year. E-commerce was nearly 21% of net sales in the reported quarter compared with 13% in the prior-year quarter. Till the first three weeks of the fourth quarter, consolidated comps grew in high teens.

Gross margin expanded roughly 532 basis points (bps) to 34.9% in the quarter under review. Meanwhile, SG&A expenses, as a percentage of sales, contracted 127 bps year over year to 23.8% due to sturdy sales growth. This is inclusive of \$48 million of extra compensation and safety expenses associated with COVID-19.

Financial Aspects

DICK'S Sporting ended the quarter with cash and cash equivalents of \$1,060 million, no borrowings under its \$1.9-billion revolving credit facility and total stockholders' equity of \$2,121.6 million. Further, total inventory declined 9.8% year over year as of Oct 31, 2020. In the nine months ending Oct 31, 2020, total capital expenditure amounted to \$156.4 million.

Dividend Payments and Share Repurchases

Although the company did not repurchase any shares in the reported quarter, it has resumed its dividend program. It approved a dividend of 31.25 cents per share on its Common Stock and Class B Common Stock, which is payable on Dec 29 as of shareholders record on Dec 11.

Quarter Ending	10/2020
Report Date	Nov 24, 2020
Sales Surprise	7.02%
EPS Surprise	113.83%
Quarterly EPS	2.01
Annual EPS (TTM)	5.33

Recent News

DICK'S Sporting Rolls Out Hiring Plans for Holiday Season - Oct 8, 2020

With the holiday fervor catching up, retailers are pulling up their socks with seasonal hiring plans for what is going to be a unique selling season, thanks to the pandemic. DICK'S Sporting is the latest to join its retail counterparts with hiring plans to deal with the festive period rush at stores and online. The company expects to hire up to 9,000 seasonal associates during its third annual "National Signing Day" to be held on Oct 14. Last year, it hired up to 8,000 seasonal employees.

With the additional hiring, the company estimates to meet the requirement of extra staffing and services at stores and distribution centers. Further, the incremental staff is likely to be utilized for filling positions for additional fulfillment services like curbside contactless pickup and ship-from-store capabilities, which are launched to provide an easy and safe contactless shopping experience to customers during the pandemic. The seasonal hires will not only receive an attractive pay but also gain other pre-requisites like a 15% pay premium through the end of the year and up to 25% discount on store merchandise. Additionally, the hires will get the opportunity to gain experience by working with the best sports and outdoor brands.

DICK'S Sporting Gains on Aggressive Store Expansion Plans - Oct 1, 2020

DICK'S Sporting has been on a store expansion spree for quite some time now. It is set to launch six DICK'S Sporting Goods stores, two combination DICK'S and Golf Galaxy stores, and three DICK'S Sporting Goods Warehouse stores this month. Post the opening of these stores, the company will operate 732 DICK'S Sporting Goods stores, 97 Golf Galaxy stores and 14 Warehouse Sale stores in 47 states.

To commemorate the events, there will be a ribbon cutting ceremony and opportunities for customers to win exciting prizes. In this context, DICK'S Sporting Goods store at Lynchburg, VA commenced operations on Oct 3-4. Celebrations for the opening of stores at Wilmington, NC and Modesto, CA will take place on Oct 17-18. The opening of the other stores at Happy Valley, OR, Annapolis, MD and Houston, TX will be held on Oct 10-11, Oct 16-18 and Oct 23-25, respectively.

Further, combination DICK'S Sporting Goods and Golf Galaxy stores in Canton, OH and Fairfax, VA are likely to be launched on Oct 16-18 and Oct 30-Nov 1, respectively. It is worth mentioning that these stores will provide customers top notch in-store experience to customers and will feature exclusive product offerings in apparel, footwear and equipment. The stores will also showcase company's own private brands including DSG, Walter Hagen, CALIA by Carrie Underwood, Field & Stream and Fitness Gear, and other notable ones like Nike, adidas, YETI, The North Face, Callaway and TaylorMade.

As for its Warehouse stores, customers will be offered whopping discounts of 30-75% on select footwear and apparel brands. These stores at Monroeville, PA will be launched on Oct 7, while the ones at Olathe, KS and Royal Palm Beach, FL will open doors on Oct 28.

Apart from these, a limited number of Soccer Shops offering a unique and improved soccer experience will be introduced with the first store set to open in Oct 23 at Leawood, KS. These new stores will result in hiring of roughly 400 full-time, part-time and temporary associates. Moreover, the soccer shops will come with revamped collection of equipment and gear, including cleats, apparel, training aids and national and club team jerseys. Moreover, the stores will have in-store soccer experts to help athletes with their requirements.

Moving on, management has decided to host its first-ever Loyalty Appreciation Week namely 7 Days of ScoreCard. As part of this, the company intends to reward its ScoreCard and Scorecard Gold customers from Oct 5-11. This offers loyalty customers with an opportunity to earn points daily with ScoreCard Gold members having the opportunity to earn triple points for every purchase once in a year.

DICK'S Sporting Plans 3 Store Openings in September – Sep 3, 2020

DICK'S Sporting keeps its store expansion spree, with the opening of three new stores in September. These stores include one DICK'S Sporting Goods store in San Antonio, TX; one combination DICK'S and Golf Galaxy location in Myrtle Beach, SC; and one Golf Galaxy store in Westminster, CO. These stores are likely to collectively provide 150 jobs opportunities through the hiring of full-time, part-time and temporary associates.

DICK'S Sporting to Open New Stores – Aug 6, 2020

DICK'S Sporting plans to open 11 new stores in August. These include four DICK'S Sporting Goods stores, five DICK'S Sporting Goods Warehouse Sale stores, one combination DICK'S and Golf Galaxy location, and one OVERTIME by DICK'S Sporting Goods location.

Valuation

DICK'S Sporting shares are up 20.2% in the year-to-date period and nearly 29.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 10.4% and 38.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 16.6% and 42.8%, respectively.

The S&P 500 index is up 13.3% in the year-to-date period and 17.3% in the past year.

The stock is currently trading at 11.54X forward 12-month earnings, which compares to 18.24X for the Zacks sub-industry, 31.54X for the Zacks sector and 22.65X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.78X and as low as 4.34X, with a 5-year median of 11.68X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$68 price target reflects 13.19X forward 12-month earnings.

The table below shows summary valuation data for DKS

Valuation Multiples - DKS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	11.54	18.24	31.54	22.65
	5-Year High	24.78	24.2	34.06	23.47
	5-Year Low	4.34	11.54	19.09	15.27
	5-Year Median	11.68	15.92	23.61	17.75
P/S F12M	Current	0.57	0.96	1.32	4.25
	5-Year High	0.84	1.13	1.32	4.3
	5-Year Low	0.16	0.52	0.83	3.17
	5-Year Median	0.43	0.89	1.01	3.67
EV/EBITDA TTM	Current	4.38	12.88	19.35	16.26
	5-Year High	9.68	12.88	20.7	16.26
	5-Year Low	2.3	4.71	11.14	9.55
	5-Year Median	5.41	9.41	13.01	13.13

As of 11/27/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 19% (48 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The ODP Corporation (ODP)	Outperform	1
Bed Bath & Beyond Inc. (BBBY)	Neutral	3
KAR Auction Services, Inc (KAR)	Neutral	3
Kingfisher PLC (KGFHY)	Neutral	3
The Michaels Companies, Inc. (MIK)	Neutral	2
Sally Beauty Holdings, Inc. (SBH)	Neutral	4
Tractor Supply Company (TSCO)	Neutral	3
Ulta Beauty Inc. (ULTA)	Neutral	3

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

Industry Comparison Industry: Retail - Miscellaneous				Industry Peers		
	DKS	X Industry	S&P 500	ODP	TSCO	ULTA
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	1	3	3
VGM Score	A	-	-	A	B	B
Market Cap	5.30 B	1.52 B	26.04 B	1.54 B	16.24 B	15.84 B
# of Analysts	7	5	14	1	14	6
Dividend Yield	2.10%	0.00%	1.48%	0.00%	1.15%	0.00%
Value Score	A	-	-	A	C	C
Cash/Price	0.20	0.28	0.07	0.49	0.07	0.08
EV/EBITDA	6.69	6.15	14.61	2.58	16.70	12.89
PEG F1	1.81	1.80	2.76	0.94	1.79	11.50
P/B	2.50	1.81	3.58	0.86	8.66	8.95
P/CF	8.29	7.04	13.64	3.63	21.49	16.29
P/E F1	10.17	9.70	21.85	6.43	20.85	84.98
P/S TTM	0.58	0.53	2.84	0.16	1.63	2.48
Earnings Yield	9.83%	5.45%	4.38%	15.56%	4.79%	1.18%
Debt/Equity	0.19	0.23	0.70	0.20	0.30	0.45
Cash Flow (\$/share)	7.18	3.06	6.93	8.05	6.49	17.27
Growth Score	A	-	-	B	B	C
Historical EPS Growth (3-5 Years)	1.81%	3.17%	9.72%	-0.86%	15.37%	16.30%
Projected EPS Growth (F1/F0)	58.42%	-7.41%	0.45%	10.98%	42.83%	-72.21%
Current Cash Flow Growth	6.18%	5.84%	5.23%	9.73%	7.18%	5.84%
Historical Cash Flow Growth (3-5 Years)	2.61%	2.61%	8.33%	2.23%	9.40%	20.48%
Current Ratio	1.40	1.50	1.38	1.08	1.49	2.64
Debt/Capital	16.24%	21.81%	41.99%	16.47%	23.06%	31.12%
Net Margin	4.20%	3.86%	10.44%	-2.84%	7.62%	4.41%
Return on Equity	25.52%	10.96%	14.99%	11.61%	46.65%	18.00%
Sales/Assets	1.24	1.23	0.50	1.57	1.60	1.23
Projected Sales Growth (F1/F0)	4.41%	0.00%	0.23%	-8.29%	24.70%	-19.22%
Momentum Score	A	-	-	A	B	A
Daily Price Change	-0.95%	0.00%	-0.06%	-1.68%	4.09%	0.63%
1-Week Price Change	14.95%	3.93%	0.21%	13.38%	-1.73%	4.31%
4-Week Price Change	5.89%	17.89%	12.93%	48.58%	4.77%	36.80%
12-Week Price Change	8.60%	12.75%	11.06%	26.91%	-4.27%	18.17%
52-Week Price Change	29.64%	28.05%	5.57%	28.25%	45.95%	20.22%
20-Day Average Volume (Shares)	2,856,027	616,145	2,159,544	555,095	1,358,230	1,185,009
EPS F1 Estimate 1-Week Change	4.81%	0.00%	0.00%	0.00%	0.00%	0.49%
EPS F1 Estimate 4-Week Change	5.81%	1.12%	0.85%	31.12%	1.12%	-2.86%
EPS F1 Estimate 12-Week Change	5.18%	20.21%	3.64%	20.21%	6.26%	-13.48%
EPS Q1 Estimate Monthly Change	20.26%	0.90%	0.00%	57.43%	-0.03%	1.61%

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	A
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

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

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

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

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

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

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

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 forward-looking 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 medium-term price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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