Guess?, Inc. (GES)

$13.40 (As of 11/11/20)

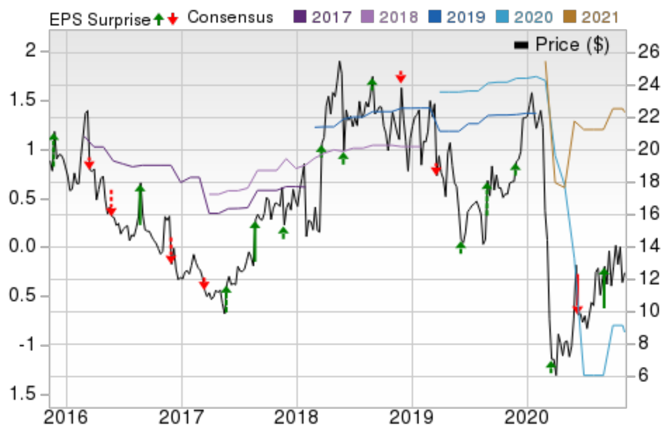
Price Target (6-12 Months): **$15.00**

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

Summary

Shares of Guess? have outperformed the industry in the past six months. The company reopened most of its stores as coronavirus-led restrictions are being lifted. Also, management has been undertaking a number of measures to enhance its financial position amid COVID-19. Guess?'s digital revenues rose 9% year over year in North America and Europe during second-quarter fiscal 2021. Apart from this, its strategic initiatives to boost operating margin via cost-saving efforts and enhancing operating efficiencies bode well. However, COVID-19 marred the company's second-quarter results with sales declining 41.7% due to store closures and lower productivity in stores that remained operational. Further, management expects sales in the fiscal third and fourth quarter to decline in mid-teens band. Also, Guess? saw higher costs in the quarter.

Price, Consensus & Surprise



Source: Zacks Investment Research

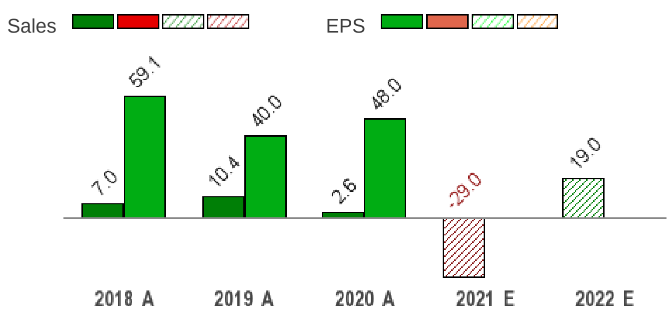
Data Overview

52-Week High-Low	**$23.58 - $3.64**
20-Day Average Volume (Shares)	**1,001,545**
Market Cap	**$897.5 M**
Year-To-Date Price Change	**-37.0%**
Beta	**1.81**
Dividend / Dividend Yield	**$0.45 / 3.2%**
Industry	**Textile - Apparel**
Zacks Industry Rank	**Top 25% (63 out of 249)**

Last EPS Surprise	**98.4%**
Last Sales Surprise	**4.3%**
EPS F1 Estimate 4-Week Change	**-8.8%**
Expected Report Date	**11/24/2020**
Earnings ESP	**60.0%**

P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**0.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022					2,262 E
2021	260 A	399 A	511 E	731 E	1,901 E
2020	537 A	683 A	616 A	842 A	2,678 A

EPS Estimates

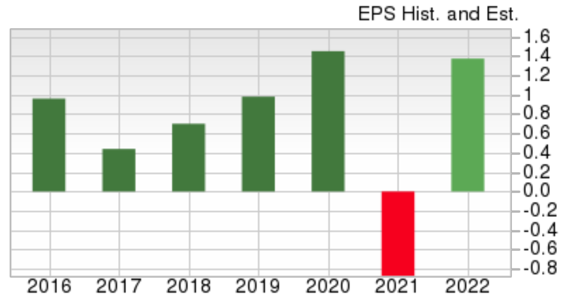
	Q1	Q2	Q3	Q4	Annual*
2022	-$0.61 E	$0.32 E	$0.23 E	$1.26 E	$1.37 E
2021	-$1.81 A	-$0.01 A	$0.06 E	$0.89 E	-$0.87 E
2020	-$0.25 A	$0.38 A	$0.22 A	$1.22 A	$1.45 A

*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 11/11/2020. The reports text is as of 11/11/2020.

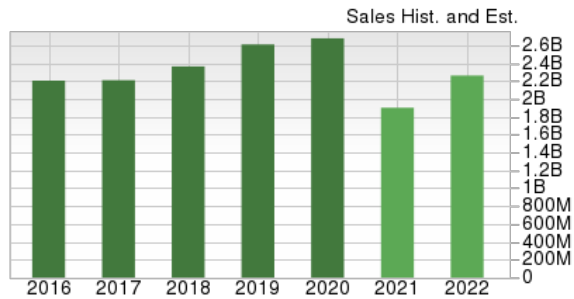
Overview

Founded in 1981 and based in L.A. **Guess?**, Inc. designs, markets, distributes and licenses casual apparel and accessories for men, women and children as per the American lifestyle and European fashion sensibilities.



The company's collection includes contemporary apparel, denim, handbags, eyewear, watches, footwear, and other related consumer products. In the clothing category, the company's collections include jeans, pants, skirts, dresses, shorts, blouses, shirts, jackets, knitwear and intimate apparel. It also designs jewelry and other fashion accessories.

Products of the company are sold through retail, wholesale, e-Commerce and licensing distribution channels.



The company's apparel is marketed under several trademarks such as GUESS, GUESS?, GUESS U.S.A., GUESS Jeans, GUESS? and Triangle Design, MARCIANO, Question Mark and Triangle Design, a stylized G and a stylized M, GUESS Kids, Baby GUESS, YES, G by GUESS (GbG), GUESS by MARCIANO and Gc.

Guess' and its network of licensee partners sell their products primarily through six different store concepts, namely the flagship Guess-Full-price retail stores, Guess-factory outlet stores, Guess by Marciano stores, G by Guess stores, Guess Accessories Stores and Guess Kids Stores.

Further, the products are sold through wholesale, direct-to-consumer and licensing distribution networks. The company's business is classified into five reportable segments: **Europe, Americas Retail, Asia, Americas Wholesale and Licensing.**

The company sources products from numerous suppliers located both locally and globally. Further, the company promotes its products through advertising, public relations and marketing strategies. In fact, strong promotional skills have helped the company in creating a unique name for itself in the fashion space as well as keep driving consumer traffic.

Source: Zacks Investment Research

Reasons To Buy:

▲ **Efforts to Stay Afloat Amid COVID-19**: Shares of Guess? have surged 95.1% in the past six months compared with the industry's growth of 48.6%. Guess? has been undertaking a number of measures to enhance its financial position amid the COVID-19 outbreak. Among other moves, the company has undertaken certain cost control actions like furloughing workers, temporary salary cuts, lowering headcount as well as curbing discretionary expenses. Moreover, management has been taking prudent steps to manage inventory. In fact, at the end of the second quarter of fiscal 2021 its inventory was down 13%. Also, Guess? witnessed increased product margin in the quarter.

Guess?'s is on track with boosting operating margin through cost saving efforts, enhancing operating efficiencies as well as gross margin improvement efforts.

Apart from these, the company is on track with reopening stores as restrictions to check the coronavirus outbreak are being lifted gradually. During the fiscal second quarter of 2021 Guess? reopened most of its brick-and-mortar stores globally as coronavirus-induced lockdown restrictions were lifted gradually. As of Aug 1, nearly 95% of the company's stores were reopened with the majority of closed stores located primarily within interior malls in California.

▲ **Digital Operations to Drive Performance**: Guess? has long been benefitting from its solid digital efforts. The company's online business continued to remain operational amid the coronavirus outbreak. Notably, Guess?'s e-commerce business in North America and Europe grew 9% year over year in the second quarter of fiscal 2021. Also, management is optimistic about its online growth in the remaining half of 2020. In this regard, the company is increasing its marketing investment, repositioning product offerings along with finishing the implementation of Salesforce platform.

Well, Guess? has been on track with its digital-first initiative and has been investing in brand building through social media platforms such as Facebook, Twitter, Instagram and YouTube. Further, the company has been focusing on linking brick-and-mortar stores, e-commerce and mobile sales to improve its online operations. This is likely to have enabled customers to reserve merchandise online and pick them up in stores.

Earlier, management stated that they are on track with upgrading online platform in the European and American regions. It is also planning to improve e-commerce operations by undertaking efforts such as better data capturing, improved customer profiling, personalized marketing and relationship management. These efforts are expected to help the company enhance customer base and enrich their experience, which in turn is likely to aid sales.

▲ **Strategic Endeavors to Aid Growth**: The company is on track with boosting operating margin through cost saving efforts, enhancing operating efficiencies as well as gross margin improvement efforts. Moreover, Guess?'s focus on its customer centricity initiatives including global ecommerce strategy, salesforce implementation as well as omnichannel experience redesign projects bodes well. Also, the company has launched a new customer 360 project to enhance personalization, customer data integration, journey engagement as well as results analysis. Moreover, management believes that such robust customer centric efforts will increase the company's e-commerce business penetration to represent more than 23% of its direct-to-consumer business in the next three to five years.

Additionally, the company is on track with global consolidation of its functional capabilities with a view to capture new efficiencies, global consistency in performance as well as higher accountability. In this regard, Guess? plans to redesign its organizational structure globally.

▲ **Debt Analysis**: Guess?'s long-term debt (including long-term lease liability) of $978.2 million as of Aug 1, 2020, decreased 2.7% on a quarter-on-quarter basis. Further, the company's cash of $328 million is sufficient to meet its current operating lease liabilities of $235.7 million as the end of the second quarter of fiscal 2021. Notably, management repaid a major amount of its previously drawn down credit facility.

Reasons To Sell:

- **COVID-19 Hurts Q2**: Guess?'s second-quarter fiscal 2021 results bore the brunt of coronavirus-induced hurdles. During the quarter, the company's adjusted loss of 1 cent per share deteriorated from earnings of 38 cents reported in the year-ago quarter. The downside was caused by lower revenues.

  Net revenues amounted to $398.5 million, which fell 41.7% year over year. On a constant-currency basis, net revenues have plunged 41.2%. Sales in the quarter were affected by store closures as well as lower productivity in stores that remained operational amid the pandemic. Notably, stores were roughly shut 30% of the days in the quarter. Further, management anticipates sales in the fiscal third and fourth quarter to decline in mid-teens band.

Store closures amid the outbreak of the novel coronavirus hurt the company's second-quarter fiscal 2021 results.

- **Escalated Costs**: Guess?'s adjusted selling, general and administrative (SG&A) expenses, as a percentage of sales, have been rising for a while. As a percentage of sales, SG&A expenses expanded 570 bps to 37.7% in the second quarter of fiscal 2021. Prior to this, the metric had expanded significantly in the fiscal first quarter.We believe that, persistence of headwinds related to higher costs can be a threat to the company's profitability in the future.

- **Margin Concerns**: During the second quarter of fiscal 2021, Guess?'s gross margin contracted 200 basis points (bps) to 36.9%. The downside was caused due to occupancy deleverage of 410 bps stemming from reduced revenues in the quarter. Prior to this, the company's gross margin contracted significantly to 13.2% in the fiscal first quarter. We believe that the persistence of the trend may continue to exert pressure on the company's performance in the future.

- **International Exposure Poses Currency Risks**: Owing to Guess?' solid international presence, the company remains exposed to the unfavorable currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside the country. We note that, currency headwinds can weigh on the company's revenues in the future.

Last Earnings Report

Guess? Q2 Loss Narrower Than Expected, Sales Down Y/Y

Quarter Ending	07/2020
Report Date	**Sep 02, 2020**
Sales Surprise	**4.32%**
EPS Surprise	**98.36%**
Quarterly EPS	**-0.01**
Annual EPS (TTM)	**-0.38**

Guess? reported better-than-expected second-quarter fiscal 2021 results. The designer, marketer and distributor of apparel and accessories posted narrower-than-expected loss. Further, the company's total revenues surpassed the Zacks Consensus Estimate. However, the top and the bottom line declined sharply from the year-ago quarter's figure thanks to the impact of the coronavirus pandemic. Results bore the brunt of store closures and lower customer demand.

Due to uncertainties related to the COVID-19 crisis, management refrained from providingdetailed outlook for the fiscal third quarter as well as fiscal 2021. However, the company anticipates sales in the fiscal third and fourth quarter to decline in mid-teens band.

Quarter in Detail

Guess? posted adjusted loss of 1 cent per share, which is narrower than Zacks Consensus Estimate of a loss of 61 cents. Better expense management, inventory optimization and prudent use of capital enabled the company to minimize loss. However, the metric deteriorated from earnings of 38 cents reported in the year-ago quarter. The downside was caused by lower revenues.

Net revenues amounted to $398.5 million, which surpassed the consensus mark of $382 million. However, the metric was down 41.7% year over year. On a constant-currency (cc) basis, net revenues plunged 41.2%. Sales in the quarter were affected by store closures as well as lower productivity in stores that remained operational amid the pandemic. Notably, stores were roughly shut 30% of the days in the quarter.

The company's gross margin contracted 200 basis points (bps) to 36.9% due to occupancy deleverage in the quarter.SG&A expenses decreased 31.1% to $150.3 million. As a percentage of sales, SG&A expenses expanded 570 bps to 37.7%.

For the quarter, adjusted operating loss came in at $0.9 million against adjusted operating incomeof $47.9 million in the prior-year quarter. The deterioration was caused by cost deleveraging stemming from the coronavirus outbreak.

Segment Performance

Revenues in the **Americas Retail** segment declined 44.7% (or 44.1% at cc) year over year to $110.1 million.Operating margin decreased 730 basis points to negative 4.3% during the quarter. Margin was hampered by deleveraging impact of temporary store closures as well as reduced customer traffic owing to the pandemic.

Net revenues in the **Americas Wholesale** segment dropped 51.6% year over year to $20.3 million. Also, the metric was down 48.7% at cc. Further, operating margin in the segment came in at 8.3% compared with 20.1% reported in the year-ago quarter. This was caused by deleveraging of expenses as a result of the pandemic.

The **Europe** segment's revenues fell 39.5% year over year to $205.9 million. The metric declined 39.6% at cc. Operating margin in the segment was down 510 bps to 10.1% thanks to deleveraging of expensesdue to lower revenue stemming from COVID-19.

Asia revenues plunged 39.7% on a year-over-year basis to $50.2 million. Additionally, the metric dropped 38.7% at cc.Operating margin for the segment declined 90 bps to negative 6.7% owing to deleveraging of expensesas a result of the coronavirus crisis.

Licensing revenues declined 34.5% year over year to $12.1 million.Operating margin in the segment increased to 94.8% in the quarter under review from 83.8% in the prior-year quarter.

Other Updates

The company exited the quarter with cash and cash equivalents of $328 million as well as long-term debt and finance lease obligations of $66.1 million. Further, stockholders' equity was $438.3 million. Net cash used provided by operating activities during six months ended Aug 1 amounted to $40.7 million.

Valuation

Shares of Guess? are down 37% in the year-to-date period and 20.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 6.6% and the Zacks Consumer Discretionary sector are up 2% in the year-to-date period. Over the past year, the Zacks sub-industry is up 5.5% while the sector gained 8.2%.

The S&P 500 index is up 10.4% in the year-to-date period and 15.2% in the past year.

The stock is currently trading at 0.41X forward 12-month sales, which compares to 2.52X for the Zacks sub-industry, 2.46X for the Zacks sector and 4.15X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.85X and as low as 0.1X, with a 5-year median of 0.53X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $15 price target reflects 0.44X forward 12-month sales.

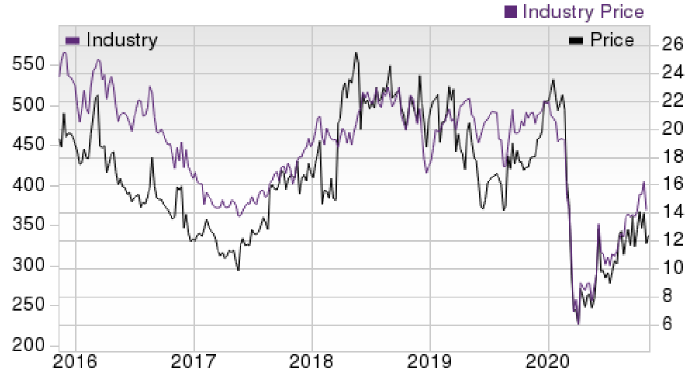
The table below shows summary valuation data for GES

Valuation Multiples - GES

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.41	2.52	2.46	4.15
	5-Year High	0.85	2.52	2.9	4.3
	5-Year Low	0.1	1.45	1.7	3.17
	5-Year Median	0.53	2.09	2.48	3.67
P/B TTM	Current	1.97	8.49	3.53	6.26
	5-Year High	2.63	8.86	4.84	6.28
	5-Year Low	0.39	0.39	2.23	3.74
	5-Year Median	1.58	1.58	4.18	4.9
EV/EBITDA F12M	Current	3.79	18.24	12.01	14.39
	5-Year High	9.98	19.01	12.67	15.48
	5-Year Low	0.03	11.89	8.04	10.69
	5-Year Median	5.42	15.08	10.92	13.24

As of 11/10/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 25% (63 out of 249)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Hanesbrands Inc. **(HBI)**	Outperform	3
American Eagle Outfitters, Inc. **(AEO)**	Neutral	3
Columbia Sportswear Company **(COLM)**	Neutral	4
GIII Apparel Group, LTD. **(GIII)**	Neutral	3
Gildan Activewear, Inc. **(GIL)**	Neutral	2
lululemon athletica inc. **(LULU)**	Neutral	3
Ralph Lauren Corporation **(RL)**	Neutral	3
Under Armour, Inc. **(UAA)**	Neutral	3

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

Industry Comparison Industry: Textile - Apparel

	GES	X Industry	S&P 500	COLM (Industry Peers)	GIII	RL
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	A	-	-	F	A	C
Market Cap	897.54 M	897.54 M	24.97 B	5.39 B	832.25 M	5.94 B
# of Analysts	4	4.5	14	6	7	6
Dividend Yield	3.19%	0.00%	1.53%	0.00%	0.00%	0.00%
Value Score	A	-	-	D	A	B
Cash/Price	0.42	0.16	0.07	0.06	0.37	0.49
EV/EBITDA	4.03	6.87	14.44	9.63	3.71	8.36
PEG F1	NA	6.40	2.72	20.07	53.16	10.71
P/B	2.10	2.34	3.57	3.13	0.67	2.34
P/CF	4.99	7.25	13.50	12.36	4.22	7.71
P/E F1	NA	26.79	21.72	56.59	54.76	58.81
P/S TTM	0.42	0.76	2.81	2.12	0.32	1.26
Earnings Yield	-6.17%	1.72%	4.45%	1.77%	1.80%	1.70%
Debt/Equity	0.70	0.40	0.70	0.00	0.33	0.64
Cash Flow ($/share)	2.83	2.44	6.92	6.59	4.08	10.55
Growth Score	B	-	-	F	A	C
Historical EPS Growth (3-5 Years)	-14.98%	-5.79%	9.77%	8.47%	7.45%	-7.53%
Projected EPS Growth (F1/F0)	-160.00%	-50.00%	0.37%	-70.22%	-90.15%	-78.91%
Current Cash Flow Growth	24.83%	2.71%	5.34%	30.70%	6.85%	-10.72%
Historical Cash Flow Growth (3-5 Years)	0.67%	3.96%	8.33%	17.53%	9.97%	-4.88%
Current Ratio	1.47	1.72	1.38	3.30	2.48	2.51
Debt/Capital	41.53%	36.56%	42.01%	0.00%	24.65%	39.06%
Net Margin	-4.06%	-1.74%	10.44%	4.97%	2.57%	-1.74%
Return on Equity	-4.08%	-0.77%	15.07%	7.30%	6.50%	5.14%
Sales/Assets	0.89	0.89	0.50	0.93	0.98	0.62
Projected Sales Growth (F1/F0)	-29.01%	0.00%	0.17%	-19.35%	-36.01%	-28.55%
Momentum Score	F	-	-	C	C	D
Daily Price Change	-0.91%	0.00%	1.02%	1.89%	2.38%	-0.48%
1-Week Price Change	5.09%	1.73%	5.72%	5.46%	5.86%	2.06%
4-Week Price Change	4.21%	4.95%	5.06%	-12.47%	20.77%	12.60%
12-Week Price Change	17.29%	10.35%	8.35%	0.91%	62.05%	18.76%
52-Week Price Change	-20.55%	-20.55%	6.36%	-12.74%	-39.61%	-26.95%
20-Day Average Volume (Shares)	1,001,545	234,080	2,145,320	475,789	649,096	1,558,372
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-8.75%	0.24%	1.97%	-28.80%	0.00%	15.92%
EPS F1 Estimate 12-Week Change	33.59%	28.64%	4.17%	-26.40%	380.58%	23.70%
EPS Q1 Estimate Monthly Change	-6.62%	-0.36%	0.81%	-19.47%	0.00%	-17.49%

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	B
Momentum Score	F
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.