

The Gap Inc. (GPS)

\$25.95 (As of 02/24/21)

Price Target (6-12 Months): **\$28.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/06/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM: C

Value: B

Growth: D

Momentum: C

Summary

Gap's earnings missed while sales beat estimates in third-quarter fiscal 2020. However, its overall results reflected a marked improvement on a sequential basis. While the bottom line returned to a positive trend after two consecutive quarters of reporting loss per share, sales reflected significant sequential improvement. The robust top-line performance was mainly driven online growth trend and positive comparable sales. It remains optimistic about fourth-quarter fiscal 2020 driven by robust online momentum and opportunity for share gains through increased marketing investments. However, Gap underperformed the industry in the past three months. The stock witnessed a sharp decline after recording earnings miss in the fiscal third quarter. Higher operating expense driven by rise in marketing expenses across all brands hurt earnings.

Price, Consensus & Surprise

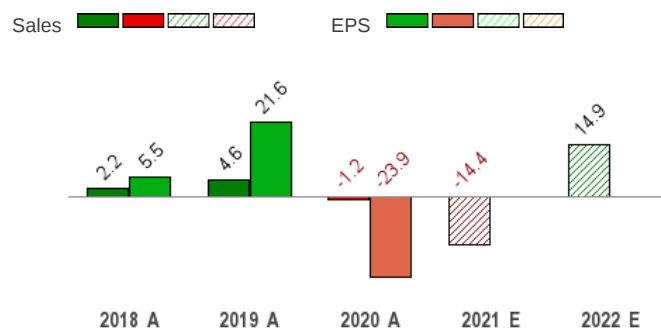


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$26.99 - \$5.26
20-Day Average Volume (Shares)	5,832,455
Market Cap	\$9.7 B
Year-To-Date Price Change	28.5%
Beta	1.56
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 28% (70 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-13.8%
Last Sales Surprise	5.1%
EPS F1 Estimate 4-Week Change	-0.1%
Expected Report Date	03/04/2021
Earnings ESP	14.2%

P/E TTM	NA
P/E F1	21.1
PEG F1	2.3
P/S TTM	0.7

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	3,497 E	3,866 E	4,082 E	4,827 E	16,123 E
2021	2,107 A	3,275 A	3,994 A	4,667 E	14,027 E
2020	3,706 A	4,005 A	3,998 A	4,674 A	16,383 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$0.15 E	\$0.47 E	\$0.44 E	\$0.38 E	\$1.23 E
2021	-\$2.51 A	-\$0.05 A	\$0.25 A	\$0.17 E	-\$2.20 E
2020	\$0.24 A	\$0.63 A	\$0.53 A	\$0.58 A	\$1.97 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 02/24/2021. The report's text and the analyst-provided price target are as of 02/25/2021.

Overview

With more than 3,800 stores worldwide, The Gap, Inc. is a premier international specialty retailer offering a diverse range of clothing, accessories, and personal care products. It offers products for men, women, and children under the Old Navy, Gap, Banana Republic, Athleta, Intermix, and Hill City brands.

Moreover, the company's products include denim, tees, button-downs, khakis, and other trendy assortments as well as fitness and lifestyle products for training, sports, travel, yoga and other activities. Notably, the company offers its products through company-operated stores, franchise stores, websites, third-party arrangements, as well as catalogs.

The company reports its operating results under four segments: Gap Global, Old Navy Global, Banana Republic Global and Other.

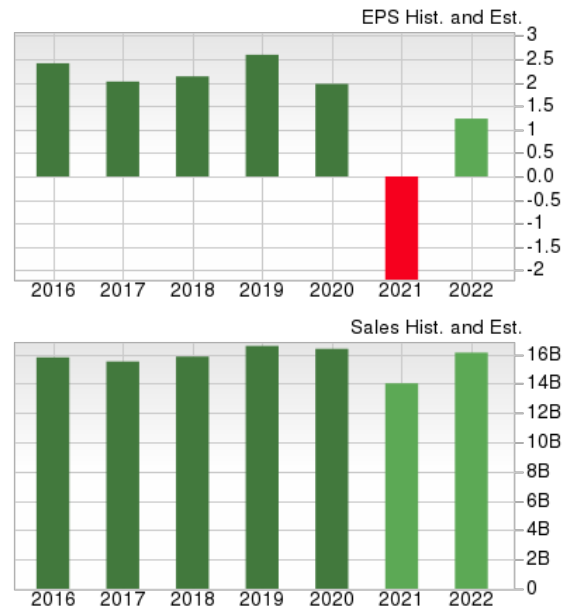
Gap Global: This segment reports the operating results of all stores, including company-owned, franchise and online stores for the Gap brand both domestic and international.

Old Navy Global: This segment reports the operating results of all stores, including company-owned, franchise and online stores for the Old Navy brand both domestic and international.

Banana Republic Global: This segment reports the operating results of all stores, including company-owned, franchise and online stores for the Banana Republic brand both domestic and international.

Other: The relatively newer brands, like Intermix and Athleta are included in this segment. These brands are managed by the president of the Growth, Innovation, and Digital (GID) division, who oversees the store and online operations of these brands.

Gap announced plans to spin off into two stand-alone public companies, new Gap Inc. and Old Navy. New Gap will house brands namely Gap, Banana Republic, Athleta, Hill City, Intermix, and Janie & Jack. Meanwhile, Old Navy, which is among the fast-growing apparel brands, is likely to operate under the existing name.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Q3 Results Reflect Sequential Gains, Sales Beat:** Gap's sales beat the Zacks Consensus Estimate and remained flat year over year in third-quarter fiscal 2020. However, earnings missed estimate and declined year over year. Nonetheless, the company's overall results reflected a marked improvement on a sequential basis. While the bottom line returned to a positive trend after two consecutive quarters of reporting loss per share, sales reflected significant sequential improvement. The better-than-expected top-line performance was mainly supported by robust online growth trend and positive comparable sales (comps). Notably, comps improved 5% and online sales rose 61% in the reported quarter.

Gap is recording significant growth in its scaled digital business since the onset of the pandemic, driven by a shift in consumer preference toward online shopping. Online sales rose 61% in Q3.

▲ **Strength in Digital Business:** Gap has been recording significant growth in its scaled digital business since the onset of the pandemic, driven by a shift in consumer preference toward online shopping. Continued growth in e-commerce business contributed significantly to the company's consolidated sales as well as gains in its Gap, Old Navy and Athleta brands. Notably, the online business contributed about 40% of its net sales in the fiscal third quarter. Its e-commerce business acquired 3.4 million new customers in the fiscal third quarter, which represents more than 145% growth in new online customer acquisitions year over year. Consequently, e-commerce sales improved 61% in the reported quarter. Also, the company's strong online business aided comps growth in the quarter.

Moreover, the company expects the online business to be a key contributor in the upcoming holiday season. It has been investing in online shipping capabilities and curbside pickup options to enable customers to safely purchase gifts for family and friends during the upcoming holiday season.

▲ **Robust Q3 Gross Margin:** Gap's gross profit increased 3.9% in the fiscal third quarter while gross margin expanded 160 basis points (bps). The growth was backed by gains from lower rent and occupancy costs and higher product margins, offset by higher shipping expenses. The rent and occupancy savings during the quarter mainly related to the company's consistent focus and execution of the Power Plan 2023. Further, it witnessed improved product margins, owing to reduced promotions.

▲ **Decent Q4 Outlook:** Although the rising COVID-19 cases are likely to impact store traffic, Gap remains optimistic about fourth-quarter fiscal 2020 results driven by robust online momentum and opportunity for market share gains through increased marketing investments. The company anticipates investments in digital capabilities, including its loyalty program, to contribute to a robust holiday shopping season. As a result, it expects fourth-quarter fiscal 2020 net sales to be equal to or slightly higher than the year-ago quarter. Gross margin is expected to be flat year over year on gains from store closures, considerably offset by higher shipping expenses.

▲ **Power Plan 2023 Strategy:** Gap is on track with the execution of its Power Plan 2023, which focuses on opening highly-profitable Old Navy and Athleta stores while closing the underperforming Gap and Banana Republic stores. As part of the plan, the company expects the Old Navy and Athleta brands to contribute about 70% of sales by 2023. Notably, these brands cumulatively accounted for 63% of sales in third-quarter fiscal 2020. In sync with its fleet optimization efforts under the plan, the company plans to close about 225 Gap and Banana Republic stores globally, net of openings, in fiscal 2020. It expects additional closures in fiscal 2021. With the closing of underperforming Gap and Banana Republic stores, the company expects to realize \$100 million in EBITDA savings on an annualized basis by the end of 2023. Further, it expects to leverage its powerful platform to deliver competitive omni capabilities to meet customers' needs, all fueled by its scaled operations. It targets the e-commerce business to contribute 50% of sales by the end of 2023. The company now expects capital spending of \$375 million for fiscal 2020, up from \$300 million stated earlier. The increase in capital expenditure is mainly attributed to higher investments in digital, technology and distribution capacity to drive online growth. Beginning 2021, it increasing capital spending to a more traditional level of 4-5% of sales, to support growth. Through the plan, the company expects to deliver consistent sales growth, margin expansion and strong operating cash flow.

▲ **Brand Strength:** Gap's powerhouse brand, Old Navy, which is focused on creating affordable high-quality fashion for the whole family, remains a significant long-term growth opportunity for the company. Notably, the Old Navy brand has been witnessing significant acceleration in digital business since the start of the pandemic on the back of robust customer demand as well as relevant digital marketing investments. Net sales for the Old Navy brand improved 15% in the fiscal third quarter, with comps growth of 17%. Further, the company remains confident about Old Navy's growth potential, driven by better execution of its unique value equation and positioning, with style, fit, quality and price, all working in balance. Additionally, Gap has been experiencing significant progress in its smaller brands. Notably, the Athleta brand's values-driven active and lifestyle categories, increased digital marketing investments, and focus on product strategy have been aiding sales. In third-quarter fiscal 2020, Athleta's net sales were up 35%, with comps growth of 37%. Notably, Athleta recorded the highest comps growth in the brand's history, including more than 50% contribution from online business. Moreover, the brand benefited from continued demand for its masks, which helped establish new customer engagements across other product offerings.

▲ **Financial Flexibility:** Gap ended the fiscal third quarter with cash, cash equivalents, and short-term investments of \$2,649 million, representing more than \$1-billion growth from \$1,082 million in the year-ago period. Also, it reflected a sequential growth of 19.7% from \$2,213 million at the end of the fiscal second quarter. The company's cash position looks sufficient enough to fund its short term lease obligations of \$823 million. The company's long-term debt remained almost unchanged sequentially at \$2,214 million. Its debt-to-capitalization ratio of 0.48 represents a sequential improvement from 0.50 as of Aug 1, 2020. The debt-to-capitalization ratio also compares favorably with the industry's ratio of 0.64. Moreover, it generated free cash flow of \$111 million year to date compared with \$5 million in the year-ago period. The strong free cash flow primarily reflects the robust cash flows generated in the second and third quarters of fiscal 2020 as well as lower capital expenditure compared with the year-ago level.

Reasons To Sell:

- ▼ **Higher Operating Expense Hurt Q3 Earnings:** Although shares of Gap have gained 20.2% in the past three months, it underperformed the industry's growth of 33.6%. Further, the stock came under pressure after recording earnings miss in third-quarter fiscal 2020. Although Gap's overall results reflected a marked improvement on a sequential basis, higher operating expenses, driven by a significant rise in marketing expenses across all brands dented bottom line growth and margins. While earnings returned to positive territory, it missed the Zacks Consensus Estimate and declined year over year. Notably, operating expenses rose 8% in the reported quarter, with operating expense rate up 270 bps to 36.2%. Higher operating expense rate was the result of more than 175 bps growth in marketing investments across all brands and 140 bps of spending toward health and safety measures at stores. Further, operating expenses include a negative impact of 120 bps from costs related to closed stores, which was almost offset by rent and occupancy savings reflected in gross margin. Driven by the higher operating expense rate, the company's operating margin contracted 110 bps to 4.4%, while operating income declined 20.8% year over year. Moreover, higher shipping expenses to fulfill the increased online orders partly offset gross margin gains.
- Higher operating expenses driven by a significant rise in marketing expenses across all brands dented bottom line growth and margins in third-quarter fiscal 2020.
- In fourth-quarter fiscal 2020, the company expects operating expense rate of 33-34%, owing to increased investment in brand marketing to gain market share as well as costs incurred for health and safety measures in stores.
- ▼ **Adverse In-Store Performance Dent Top Line:** Gap has been witnessing loss of in-store sales for the past few quarters which also weighed on its top line growth in the fiscal third quarter. Notably, a 20% decline in in-store sales and the company's ongoing strategy to close underperforming stores partly hurt sales in the fiscal third quarter.
- ▼ **Decline in Gap & Banana Republic Brands:** In third-quarter fiscal 2020, net sales declined 14% and 34% at Gap Global and Banana Republic Global brands, respectively. Further, comps for Gap Global and Banana Republic Global were down 5% and 34%, respectively. During the reported quarter, the Banana Republic brand's results continued to be impacted by the adverse product mix due to the shift of consumers' demands to more casual fashion to meet stay-at-home requirements, which is a disadvantage to the brand's workwear assortments. Declines at the Gap brand mainly relate to reduced store fleet and traffic trends, partly negated by strong online growth.
- ▼ **Macroeconomic Headwinds:** Consumer confidence and spending behavior may dampen due to macroeconomic factors, including an increase in fuel and energy costs, credit availability, high unemployment levels, and high household debt levels, which may negatively affect consumer's disposable income. This, in turn, could affect the company's growth and profitability.
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Last Earnings Report

Gap Q3 Earnings Miss, Sales Top Estimates

Gap reported third-quarter fiscal 2020 results, wherein earnings missed the Zacks Consensus Estimate and declined year over year. Despite gross margin gains, the company's bottom line was impacted by higher operating expenses, driven by a significant rise in marketing expenses across all brands. However, sales beat the consensus mark and remained flat year over year. The better-than-expected top-line performance was mainly supported by robust online growth trend and positive comparable sales (comps).

The company's overall results reflected a marked improvement on a sequential basis. While the bottom line returned to a positive trend after two consecutive quarters of reporting loss per share, sales reflected significant sequential improvement.

Driven by the prevailing uncertainty, the company did not currently provide guidance for fiscal 2020. It also expects the rising COVID-19 cases to impact store traffic, which remains concerning. However, it is optimistic about the fiscal fourth-quarter results, driven by robust online momentum and opportunity for market share gains through increased marketing investments.

The company anticipates investments in digital capabilities, including its loyalty program, to contribute to a robust holiday shopping season. As a result, it expects fourth-quarter fiscal 2020 net sales to be equal to or slightly higher than the year-ago quarter. Gross margin is expected to be flat year over year on gains from store closures, considerably offset by higher shipping expenses. It expects operating expense rate of 33-34%, owing to increased investment in brand marketing to gain market share as well as costs incurred for health and safety measures in stores.

Q3 Details

In the fiscal third quarter, the company's earnings of 25 cents per share missed the Zacks Consensus Estimate of 29 cents and declined 32.4% from 37 cents in the year-ago quarter. Nonetheless, its bottom-line results reflect a return to a positive trend after reporting loss per share for the previous two quarters.

Net sales were flat with the year-ago quarter at \$3,994 million but reflected significant improvement on a sequential basis. Moreover, the top line surpassed the Zacks Consensus Estimate of \$3,801 million. Sales reflected significant gains from 5% growth in comps and a 61% rise in online sales. Meanwhile, a 20% decline in in-store sales and the company's ongoing strategy to close underperforming stores partly hurt sales.

Comps in the reported quarter primarily benefited from strength in the company's scaled e-commerce business. Notably, its e-commerce business acquired 3.4 million new customers in the fiscal third quarter, which represents more than 145% growth in new online customer acquisitions year over year. Moreover, the online business contributed about 40% of its net sales in the fiscal third quarter.

Brand-Wise Sales & Comps

In third-quarter fiscal 2020, net sales declined 14% and 34% at Gap Global and Banana Republic Global brands, respectively. Further, comps for Gap Global and Banana Republic Global were down 5% and 34%, respectively. Meanwhile, sales improved 15% and 35% for the Old Navy and Athleta brands, respectively. Comps at Old Navy Global and Athleta increased 17% and 37%, respectively.

During the reported quarter, the Banana Republic brand's results continued to be impacted by the adverse product mix due to the shift of consumers' demands to more casual fashion to meet stay-at-home requirements, which is a disadvantage to the brand's workwear assortments. However, the company is focused on adjusting to consumer preferences and improving the inventory mix by shifting away from its traditional workwear assortment into casual fashion. Driven by its efforts, the brand's sales for the quarter reflected an improvement from the prior quarter.

Declines at the Gap brand mainly relate to reduced store fleet and traffic trends, partly negated by strong online growth. In addition to the fleet rationalization efforts, the brand remains focused on maximizing the online demand through appropriate marketing, better execution and customer engagement. Notably, the company received positive customer response for its Fall marketing campaigns "Stand United" and "Be the Future".

At the Old Navy brand, sales gained from the significant acceleration of online business due to robust customer demand as well as relevant digital marketing investments.

The Athleta brand's values-driven active and lifestyle categories, increased digital marketing investments, and focus on product strategy aided sales growth. Notably, Athleta recorded the highest comps growth in the brand's history, including more than 50% contribution from online business. Moreover, the brand benefited from continued demand for its masks, which helped establish new customer engagements across other product offerings.

Margins & Costs

Gross profit of \$1,620 million reflected a 3.9% increase from \$1,559 million in the prior-year quarter. Gross margin of 40.6% expanded 160 basis points (bps) from the prior-year quarter, backed by gains from lower rent and occupancy costs and higher product margins, offset by higher shipping expenses to fulfill the increasing online sales. The rent and occupancy savings during the quarter mainly related to the company's consistent focus and execution of the Power Plan 2023. The plan focuses on opening highly-profitable Old Navy and Athleta stores, while closing the underperforming Gap and Banana Republic stores. Further, it witnessed improved product margins, owing to reduced promotions.

Meanwhile, operating expenses rose 8% to \$1,445 million, with operating expense rate up 270 bps to 36.2%. Higher operating expense rate was

Quarter Ending	10/2020
Report Date	Nov 24, 2020
Sales Surprise	5.09%
EPS Surprise	-13.79%
Quarterly EPS	0.25
Annual EPS (TTM)	-1.73

the result of more than 175 bps growth in marketing investments across all brands and 140 bps of spending toward health and safety measures at stores. Further, operating expenses include a negative impact of 120 bps from costs related to closed stores, which was almost offset by rent and occupancy savings reflected in gross margin. However, operating expense comparison benefited from 200-bps one-time costs recorded in the year-ago quarter related to the previously planned Old Navy spin-off.

Driven by the higher operating expense rate, the company's operating margin contracted 110 bps to 4.4%. Operating income declined 20.8% year over year to \$175 million in the reported quarter.

Other Financials

Gap ended the fiscal third quarter with cash, cash equivalents, and short-term investments of \$2,649 million, representing more than \$1-billion growth from \$1,082 million in the year-ago period. As of Oct 31, it had total stockholders' equity of \$2,371 million and long-term debt of \$2,214 million. Consequently, the company has sufficient liquidity to steer clear of the coronavirus environment.

It generated free cash flow of \$111 million year to date compared with \$5 million in the year-ago period. The strong free cash flow primarily reflects the robust cash flows generated in the second and third quarters of fiscal 2020 as well as lower capital expenditure compared with the year-ago level.

The company now expects capital spending of \$375 million for fiscal 2020, up from \$300 million stated earlier. The increase in capital expenditure is mainly attributed to higher investments in digital, technology and the capacity to drive online growth.

Store Update

As of Oct 31, Gap had 3,785 stores in 43 countries, out of which 3,178 were company-operated and 607 were franchise outlets.

In sync with its ongoing fleet optimization efforts, the company plans to close about 225 Gap and Banana Republic stores globally, net of openings, in fiscal 2020. It expects additional closures in fiscal 2021.

Recent News

Gap to Open Distribution Center in Texas to Support Rising Online Sales – Feb 24, 2021

Gap has revealed plans to launch a new state-of-the art distribution center in Longview, TX for \$140 million. This move is likely to help meet customers growing online demand. Further, this latest development is expected to create employment of more than 500 full time jobs by 2023 which is likely to rise to more than 100 full time positions in the next five years.

Gap's Athleta Brand Unveils Inclusive Sizing for Women – Jan 21, 2021

Gap Athleta brand is bringing inclusivity in 350 styles across its collection, an initiative particularly for its plus-size customers. With this move, Gap has voiced its support for body positivity, an issue that has sprung up in recent years. The brand aims to empower women to lead a healthy lifestyle with confidence.

Notably, customers can avail activewear and performance lifestyle products in sizes ranging from 1x to 3x for 70% of Athleta collection by this spring across all 200 stores and online. For increased convenience, all Athleta stores will have size-inclusive mannequins to better understand fit and style. Also, websites will feature a variety of body types and user-friendly options for a seamless digital shopping experience. Keeping in these lines, store employees will be provided with a mandatory inclusive sizing training in a bid to serve customers better. Post this training, store associates will receive a bodySTRONG certification.

Apart from these, Athleta is likely to launch a holistic brand campaign by the name All, Powerful to celebrate beauty and power in women. As part of this, visuals of women flaunting Athleta's extended size range will be displayed on the iconic billboard on the top of Gap's flagship store in New York's Times Square.

Going ahead, management intends to expand this sizing strategy by March to more than 500 styles with the expected addition of new styles every season. Moreover, it envisions to extend sizes across all product categories by 2022. Also, the company expects to introduce inclusivity across all its other brands, including Old Navy, Gap and Banana Republic, in the near future.

Valuation

Gap shares are up 28.5% in the year-to-date period and nearly 76.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 23.7% and 1.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 95.3% and 40.1%, respectively.

The S&P 500 index is up 4.9% in the year-to-date period and 32.2% in the past year.

The stock is currently trading at 0.6X forward 12-month sales, which compares to 1.3X for the Zacks sub-industry, 1.33X for the Zacks sector and 4.58X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.87X and as low as 0.13X, with a 5-year median of 0.59X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$28 price target reflects 0.65X forward 12-month sales.

The table below shows summary valuation data for GPS

Valuation Multiples - GPS					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.6	1.3	1.33	4.58
	5-Year High	0.87	1.3	1.33	4.58
	5-Year Low	0.13	0.34	0.84	3.21
	5-Year Median	0.59	0.83	1.02	3.68
P/B TTM	Current	4.09	9.86	5.64	6.95
	5-Year High	4.8	9.86	6.49	45.71
	5-Year Low	0.62	1.39	3.8	3.84
	5-Year Median	3.2	4.44	5.12	4.97
EV/EBITDA F12M	Current	6.7	11.29	13.03	15.22
	5-Year High	14.62	11.29	14.21	15.57
	5-Year Low	NA	3.85	8.78	10.8
	5-Year Median	5.13	6.59	11.32	13.39

As of 02/24/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 28% (70 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Abercrombie & Fitch Company (ANF)	Outperform	1
Boot Barn Holdings, Inc. (BOOT)	Outperform	1
The Childrens Place, Inc. (PLCE)	Outperform	1
American Eagle Outfitters, Inc. (AEO)	Neutral	3
L Brands, Inc. (LB)	Neutral	3
Skechers U.S.A., Inc. (SKX)	Neutral	4
Tillys, Inc. (TLYS)	Neutral	3
Vera Bradley, Inc. (VRA)	Neutral	3

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

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	GPS	X Industry	S&P 500	AEO	ANF	LB
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	4	-	-	3	1	3
VGM Score	C	-	-	D	B	A
Market Cap	9.71 B	1.10 B	27.72 B	4.44 B	1.77 B	14.36 B
# of Analysts	8	4	13	9	8	11
Dividend Yield	0.00%	0.00%	1.45%	2.06%	0.00%	0.00%
Value Score	B	-	-	B	B	B
Cash/Price	0.29	0.17	0.06	0.17	0.48	0.19
EV/EBITDA	7.99	5.29	15.30	9.53	5.35	12.09
PEG F1	2.33	2.48	2.37	NA	1.40	1.18
P/B	4.09	3.27	3.89	4.15	2.06	NA
P/CF	7.45	8.05	15.89	10.28	8.05	7.34
P/E F1	20.94	24.14	21.11	19.64	25.23	15.33
P/S TTM	0.69	0.73	3.19	1.17	0.56	1.21
Earnings Yield	4.74%	3.98%	4.65%	5.09%	3.97%	6.52%
Debt/Equity	0.93	0.16	0.66	0.30	0.40	-4.12
Cash Flow (\$/share)	3.49	1.68	6.64	2.60	3.53	7.04
Growth Score	D	-	-	F	B	B
Historical EPS Growth (3-5 Years)	1.34%	-5.27%	9.34%	-1.32%	11.89%	-17.95%
Projected EPS Growth (F1/F0)	156.05%	72.81%	13.95%	1,557.15%	199.27%	-2.63%
Current Cash Flow Growth	-14.41%	-2.23%	1.21%	0.06%	-6.25%	45.86%
Historical Cash Flow Growth (3-5 Years)	-5.36%	1.72%	7.62%	10.42%	-5.89%	6.20%
Current Ratio	1.44	1.52	1.38	1.69	1.60	1.48
Debt/Capital	48.29%	23.16%	41.22%	23.11%	28.57%	NA
Net Margin	-7.71%	-5.04%	10.59%	-5.50%	-3.55%	7.13%
Return on Equity	-24.81%	-1.42%	14.82%	-1.82%	-6.61%	-54.89%
Sales/Assets	1.03	1.02	0.51	1.07	0.95	1.13
Projected Sales Growth (F1/F0)	14.95%	13.29%	6.82%	19.06%	11.28%	8.91%
Momentum Score	C	-	-	F	F	B
Daily Price Change	5.27%	1.12%	1.31%	4.50%	6.52%	1.12%
1-Week Price Change	4.59%	0.05%	-0.16%	1.38%	7.25%	6.59%
4-Week Price Change	32.81%	10.94%	6.83%	18.71%	24.20%	37.59%
12-Week Price Change	24.04%	33.57%	9.51%	45.56%	37.01%	33.57%
52-Week Price Change	76.53%	30.99%	18.76%	105.94%	107.52%	126.73%
20-Day Average Volume (Shares)	5,832,455	318,110	2,013,595	3,589,887	1,139,255	4,378,446
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.20%	0.00%
EPS F1 Estimate 4-Week Change	-0.07%	0.00%	0.62%	0.82%	0.40%	5.64%
EPS F1 Estimate 12-Week Change	-4.98%	4.40%	1.91%	13.62%	12.67%	19.78%
EPS Q1 Estimate Monthly Change	23.70%	0.00%	0.15%	0.00%	0.00%	210.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	D
Momentum Score	C
VGM Score	C

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.

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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.