The Gap Inc. (GPS)

$20.60 (As of 10/26/20)

Price Target (6-12 Months): **$22.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/06/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: B | Growth: B | Momentum: A	

Summary

Shares of Gap have outpaced the industry in the past three months driven by strong online sales amid the pandemic, which aided comps growth during the second quarter of fiscal 2020. The company is benefitting from the currently booming mask business which led to $135 million in sales. Also, the reopening of nearly 90% of its global store fleet is likely to aid in sales recovery. The company expects reopened stores to contribute to the top line gains on a sequential basis. Management also remains optimistic about the growth of Old Navy and Athleta brands. However, both the top and bottom lines declined year over year due to loss of sales and a lower merchandise margin related to temporary store closures during the fiscal second quarter. Apart from these, higher shipping as well as rent and occupancy costs marred margins.

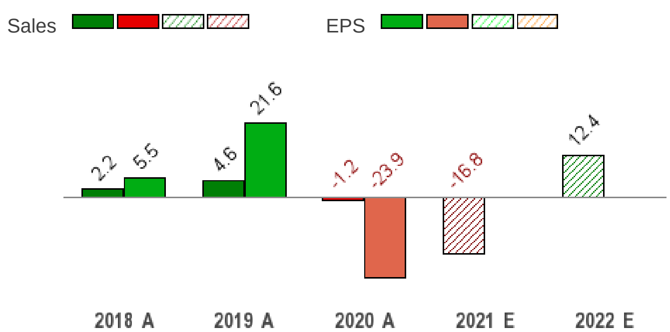
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	$21.65 - $5.26
20-Day Average Volume (Shares)	10,762,694
Market Cap	$7.7 B
Year-To-Date Price Change	16.5%
Beta	1.58
Dividend / Dividend Yield	$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 37% (92 out of 248)
Last EPS Surprise	86.5%
Last Sales Surprise	5.0%
EPS F1 Estimate 4-Week Change	2.1%
Expected Report Date	11/19/2020
Earnings ESP	12.5%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	0.6

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	3,443 E	3,768 E	3,915 E	4,564 E	15,331 E
2021	2,107 A	3,275 A	3,785 E	4,461 E	13,634 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	$0.53 E	$0.46 E	$0.39 E	$1.18 E
2021	-$2.51 A	-$0.05 A	$0.28 E	$0.27 E	-$2.08 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 10/26/2020. The reports text is as of 10/27/2020.

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.

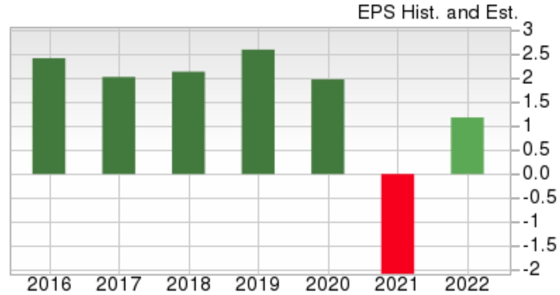
Moreover, the company's products include denim, tees, button-downs, khakis, and other trendy assortments as well as fitness and lifestyle products for training, sports, travel, yoga and other activities. Notably, the company offers its products through company-operated stores, franchise stores, websites,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

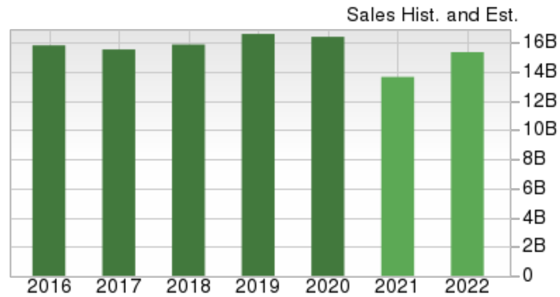
The company reports its operating results under four segments: Gap Global, Old Navy Global, Banana Republic Global and Other.

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:

Gap witnessed strong online demand and leveraged its omni-channel capabilities to fulfill online orders and serve customers amid the pandemic. Consequently, online sales rose 95% growth in Q2.

- **Robust Online Sales in Q2**: Shares of Gap have gained 56.5% in the past three months compared with the industry's growth of 39.5%. The stock is receiving a boost from strong online demand, which also aided digital sales growth in the fiscal second quarter. Notably, its e-commerce channel recorded 95% growth during the fiscal second quarter. Notably, its e-commerce business added more than 3.5 million new customers in the fiscal second quarter. This represented more than 165% growth in new online customer acquisition year over year. Also, the strong online sales continued to sustain momentum even as stores reopened. Driven by the robust e-commerce show and same-store sales (comps) growth at stores that reopened, the company delivered positive comps of 13% in the quarter. To further bolster digital sales, the company has decided to introduce two new payment options namely PayPal and AfterPay this fall season. Apart from these, other delivery facilities including curbside pickup and buy online, pickup in store have been rolled out in 1,500 plus Old Navy, Athleta, Banana Republic stores.

- **Gap's Entry into Mask-Making Boosts Sales**: Gap is gaining from the currently booming mask business, which led to rake in $135 million in sales. This move to sell face masks came at a time when governments across the United States were implementing the mandatory use of face masks in a bid to curb the spread of this deadly virus. As a result, all of The Gap's brands, including the namesake brand, Banana Republic, Old Navy and others took off to selling face masks of different patterns and colors in stores and online. Keeping in these lines, the company has recently begun a new business-to-business ("B2B") product program to supply cloth face masks to companies and organizations as they open up. The masks are high-quality reusable, non-medical grade, which can provide protection to employees as they return to work. It has already sold nearly 10 million non-medical grade masks as part of the B2B program to employers in the City of New York and the State of California. Such endeavors are likely to aid its top line in the near future.

- **Store Reopenings Plans**: With the easing of stay-at-home orders in many states, Gap recently initiated its store reopening plans. Notably, the fiscal second quarter marked the reopening of the stores that were closed due to the COVID-19 outbreak, which was initiated in May. The company had nearly 90% of its global store fleet operational by Aug 1. Moreover, the company has been witnessing robust store traffic and productivity at stores, particularly Old Navy and Athleta. Moreover, the company is operating over 2,100 stores as mini fulfillment hubs through ship-from-store and over 500 stores as curbside pickup locations, a capability launched during the COVID-19 crisis. Going ahead, sales recovery from reopened stores is likely to contribute to the top line gains on a sequential basis

- **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. Although net sales for the brand declined 5% in the fiscal second quarter due to impacts of the pandemic on in-store sales, online sales were up 136%. Notably, the Old Navy brand witnessed 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. In fact, Old Navy accounted for more than 50% of total sales during the said quarter. 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, sales improved 6% for the Athleta brand in the fiscal second quarter. The Athleta brand's values-driven active and lifestyle categories as well as strong omni-channel presence boosted growth. That said, continued strength in Old Navy and Athleta is expected to partly offset weakness in Banana Republic brand in the near future.

- **Financial Flexibility**: Gap ended the fiscal second quarter with cash and cash equivalents of $2,188 million, representing more than $1 billion growth on a year-over-year basis. Also, it has short-term investments of $25 million. The company's cash position looks sufficient enough to fund its current debt of $856 million, which reflects a sequential decrease. Although, the company's long-term (including operating lease liabilities) surged 77% sequentially to $2,212 million, it has undertaken several measures to stay afloat amid this pandemic. In the fiscal second quarter, the company issued $2,250 million worth of senior secured notes. The proceeds from this issue were used to pay down $1,250 million of senior notes due April 2021. It also secured a $1,868 million of asset-based revolving credit facility, which replaced the existing $500-million unsecured revolving credit facility. Moreover, it earlier suspended paying out dividends and share repurchases through the rest of fiscal 2020. As of Aug 27, it had $1,868 million available for use which provides sufficient liquidity to steer clear from the coronavirus environment.

Reasons To Sell:

Gap's second-quarter fiscal 2020 results were impacted by temporary closure of stores during the quarter, which led to a loss of sales and a lower merchandise margin.

- **Dismal Q2 Results**: Although Gap posted better-than-expected results in second-quarter fiscal 2020, both the top and bottom lines declined year over year. Results continued to be impacted by the temporary closure of stores during the quarter, which led to a loss of sales and a lower merchandise margin. Notably, net sales declined 18.2% year over year owing to the coronavirus outbreak-led store closures. Moreover, the company did not currently provide guidance for fiscal 2020 given the prevailing uncertainty related to the ongoing COVID-19 situation.

- **Adverse In-Store Performance Dent Top Line**: Gap has been witnessing loss of in-store sales for the past few quarters which has weighed on its top line for the fiscal second quarter. Notably, its in-store sales declined 48% in the fiscal second quarter as stores remained closed for some part of the quarter. Brand-wise, net sales were down 5%, 28% and 52% at Old Navy Global, Gap Global and Banana Republic Global brands, respectively. The company witnessed significant declines in in-store sales for all formats, with Old Navy down 36%, Gap down 55%, Banana Republic down 71% and Athleta down 45%. Moreover, the Banana Republic brand's product mix was unfavorable due to the sudden shift of consumers' demand to more casual fashion to meet stay-at-home requirements, which served as a disadvantage to the brand's work wear assortments. However, the company is focused on adjusting to consumer preferences and improving inventory mix.

- **Soft Margins**: Gap reported soft gross margin during the fiscal second quarter, owing to increased costs related to COVID-19. Gross profit in the quarter under review was $1,149 million, reflecting a 26.2% decline from $1,556 million in the prior-year quarter. Topping it, gross margin of 35.1% declined 380 basis points (bps) from the prior-year quarter. Most of the decline was attributed to a rise in shipping expenses to fulfill the higher online orders and the company's decision to leverage its stores to fulfill online demand, which led to deleverage in merchandise margin. Further, higher rent and occupancy costs relative to the lost sales on store closures hurt gross margin, which was partly negated by reduced promotions at Old Navy, Gap and Athleta. Driven by the fall in gross margin and a rise in operating expense rate, the company reported operating margin of 2.2%, down 480 bps from the year-ago quarter. Operating income declined 74.1% year over year to $73 million in the reported quarter.

- **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. Further, any incremental costs in relation to the List 4 tariffs may impact the company's top and bottom lines going forward.

Last Earnings Report

Gap Dips Despite Lower-Than-Expected Q2 Loss, Sales Beat

Quarter Ending	07/2020
Report Date	Aug 27, 2020
Sales Surprise	5.01%
EPS Surprise	86.49%
Quarterly EPS	-0.05
Annual EPS (TTM)	-1.45

Gap reported narrower-than-expected loss per share in second-quarter fiscal 2020, while sales beat the Zacks Consensus Estimate. However, sales declined on a year-over-year basis. Results continued to be impacted by the temporary closure of stores during the quarter, which led to a loss of sales and a lower merchandise margin. Nevertheless, the company witnessed strong online demand and leveraged its omni-channel capabilities to fulfill online orders and serve customers. This resulted in robust online sales growth in the fiscal second quarter, which mostly offset the decline in in-store sales.

However, driven by the prevailing uncertainty, the company did not currently provide guidance for fiscal 2020.

Q2 Highlights

In the fiscal second quarter, the company's loss of 5 cents per share was narrower than the Zacks Consensus Estimate of a loss of 37 cents, whereas it recorded earnings per share of 44 cents in the year-ago quarter.

Net sales declined 18.2% year over year to $3,275 million but surpassed the Zacks Consensus Estimate of $3,119 million. Sales were significantly hurt by the coronavirus outbreak-led store closures. Notably, it witnessed a 48% decline in store stores due to the partial closure of stores throughout the reported quarter.

Further, the quarter marked the reopening of the stores that were closed due to the COVID-19 outbreak, which was initiated in May. Notably, the company had nearly 90% of its global store fleet operational by Aug 1.

On the other hand, the company continued to put up a great show in its e-commerce channel, with 95% growth in online sales during the fiscal second quarter. This majorly contributed to strong comparable store sales (comps) growth during the quarter. Notably, its e-commerce business added more than 3.5 million new customers in the fiscal second quarter. This represented more than 165% growth in new online customer acquisition year over year.

Driven by the robust e-commerce show and comps growth at stores that reopened, the company delivered positive comps of 13% in the quarter. Brand-wise, comps improved 24%, 12% and 19% at Old Navy Global, Gap Global and Athleta, respectively. However, comps for the Banana Republic Global were down 27%. The Banana Republic brand's product mix was unfavorable due to the sudden shift of consumers' demand to more casual fashion to meet stay-at-home requirements, which served as a disadvantage to the brand's work wear assortments. However, the company is focused on adjusting to consumer preferences and improving inventory mix.

Brand-wise, net sales were down 5%, 28% and 52% at Old Navy Global, Gap Global and Banana Republic Global brands, respectively. Meanwhile, sales improved 6% for the Athleta brand. The company witnessed significant declines in in-store sales for all formats, with Old Navy down 36%, Gap down 55%, Banana Republic down 71% and Athleta down 45%. Meanwhile, there was a significant acceleration in the digital business for all brands, recording increases of 136%, 75%, 26% and 74%, respectively, for Old Navy, Gap, Banana Republic and Athleta brands.

For the Gap brand, the company benefited from the brand's fleet rationalization efforts, focused on maximizing online demand through relevant marketing, improved execution and customer engagement. Moreover, the Old Navy brand 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 as well as strong omni-channel presence boosted growth.

Margins

Gross profit in the quarter under review was $1,149 million, reflecting a 26.2% decline from $1,556 million in the prior-year quarter. Gross margin of 35.1% declined 380 basis points (bps) from the prior-year quarter. Most of the decline was attributed to a rise in shipping expenses to fulfill the higher online orders and the company's decision to leverage its stores to fulfill online demand, which led to a deleverage in merchandise margin. Further, higher rent and occupancy costs relative to the lost sales on store closures hurt gross margin, which was partly negated by reduced promotions at Old Navy, Gap and Athleta.

Meanwhile, operating expenses declined 15.5% to $1,076 million on lower store payroll and benefits cost and other store expenses stemming from the closure of stores in the quarter. However, operating expense rate increased 110 bps to 32.9%.

Driven by the fall in gross margin and a rise in operating expense rate, the company reported operating margin of 2.2%, down 480 bps from the year-ago quarter. Operating income declined 74.1% year over year to $73 million in the reported quarter.

Financials

Gap ended the fiscal second quarter with cash and cash equivalents of $2,188 million, representing more than $1 billion growth on a year-over-year basis. As of Aug 1, it had total stockholders' equity of $2,253 million and long-term debt of $2,212 million.

In the fiscal second quarter, the company issued $2,250 million worth of senior secured notes. The proceeds from this issue were used to pay down $1,250 million of senior notes due April 2021. It also secured a $1,868 million of asset-based revolving credit facility, which replaced the existing $500-million unsecured revolving credit facility. As of Aug 27, there have been no borrowings under the $1,868-million facility and the company does not expect to access the facility in fiscal 2020.

Consequently, as of Aug 27, it had $1,868 million available for use. The new capital provides sufficient liquidity to steer clear from the coronavirus environment.

The company expects capital spending of $300 million for fiscal 2020, including $30 million of expansion costs related to its Ohio distribution center.

Store Update

As on Aug 1, Gap had 3,814 stores in 42 countries, out of which 3,215 were company-operated and 599 were franchise outlets.

Going forward, the company plans to close more than 225 Gap and Banana Republic stores globally, net of openings, in fiscal 2020. This is in sync with the company's ongoing fleet optimization efforts to further advance its long-term strategic priority of a smaller healthier fleet. It expects additional closures in fiscal 2021.

Recent News

Gap Reinvents Holiday Hiring Plans - Oct 5, 2020

Gap is one of the retailers that have reinvented hiring methods so that candidates may apply for seasonal jobs, keeping their safety in mind. Interested candidates can apply for suitable positions online in three minutes or less. Further, candidates will be selected virtually to make the hiring process safe and easy.

This year's holiday shopping season is going to be different, thanks to the pandemic. Given the growing demand for online shopping and omni-channel capabilities, the company plans to hire seasonal associates to support the fulfillment and customer contact centers as well as its store chains, including Old Navy, Gap, Banana Republic, Athleta, Intermix, and Janie and Jack.

Candidates chosen will be deployed to fill positions across the business, including packing, assembling merchandise, preparing orders for shipment, serving customers through its customer contact centers and additional staffing for contactless services. The number of employees, which the company plans to hire for the holiday season, was not revealed. However, some sources stated that it plans to hire 10,000 workers.

The seasonal hires will not only receive an attractive pay but also gain other pre-requisites like discounts of up to 50% on regular-priced merchandise at Gap, Banana Republic and Old Navy stores; 30% at Outlet and Factory stores; and 25% at Athleta stores. Further, the hires will have access to several health and wellness benefits that the company plans to provide.

Gap Launches New Loyalty Progarm - Sep 24, 2020

Gap replaced its BRIGHT loyalty program with a new one across the United States and Puerto Rico. The existing customers will automatically be transited to the new program. With this, customers can earn 2 points for every $1 spent on in-store and online orders. Also, customers will be able to earn extra 250 points within Oct 31 for signing up at any of the company's brands.

Gap Begins B2B Product Program as Latest Survival Hack – Jul 8, 2020

Gap is among the few retailers that are leaving no stone unturned to come out strong of the coronavirus crisis. Amid other strategies, the company has begun a new business-to-business ("B2B") product program to supply cloth face masks to companies and organizations as they open up. The masks are high-quality reusable, non-medical grade, which can provide protection to employees as they return to work.

Gap was quick in responding to customers' need for masks amid the pandemic by using its large-scale capabilities to produce masks in bulk. The company's latest move for the B2B program comes from the growing demand for masks from organizations like Gap itself to ensure a safe working environment for employees. It has so far sold nearly 10 million non-medical grade masks as part of the B2B program to employers in the City of New York and the State of California. Also, this includes the sale of masks to Kaiser Permanente and a leading consulting firm.

Valuation

Gap shares are up 15.6% in the year-to-date period and nearly 18.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 2.2% but the Zacks Retail-Wholesale sector is up 34.2% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 0.1% and 39.7%, respectively.

The S&P 500 index is up 5.8% in the year-to-date period and 12.3% in the past year.

The stock is currently trading at 0.52X forward 12-month sales, which compares to 0.74X for the Zacks sub-industry, 1.3X for the Zacks sector and 4.05X 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 0.6X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $22 price target reflects 0.56X forward 12-month sales.

The table below shows summary valuation data for GPS

Valuation Multiples - GPS

Valuation Multiples - GPS

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.52	0.74	1.3	4.05
	5-Year High	0.87	1.09	1.32	4.31
	5-Year Low	0.13	0.34	0.84	3.18
	5-Year Median	0.6	0.82	1.01	3.67
P/B TTM	Current	3.42	5.03	6.27	5.92
	5-Year High	4.8	6.24	6.56	6.2
	5-Year Low	0.62	1.42	3.69	3.75
	5-Year Median	3.22	4.42	5.06	4.91
EV/EBITDA F12M	Current	8.7	8.77	13.09	14.24
	5-Year High	14.62	10.48	14.17	15.53
	5-Year Low	1.27	3.4	8.76	10.72
	5-Year Median	5.04	6.47	10.91	13.23

As of 10/26/2020 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Top 37% (92 out of 248)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Vera Bradley, Inc. **(VRA)**	Outperform	1
American Eagle Outfitters, Inc. **(AEO)**	Neutral	3
AbercrombieFitch Company **(ANF)**	Neutral	3
Boot Barn Holdings, Inc. **(BOOT)**	Neutral	3
L Brands, Inc. **(LB)**	Neutral	3
The Childrens Place, Inc. **(PLCE)**	Neutral	3
Skechers U.S.A., Inc. **(SKX)**	Neutral	3
Tillys, Inc. **(TLYS)**	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	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	A	A
Market Cap	7.70 B	693.51 M	23.46 B	2.34 B	943.08 M	9.49 B
# of Analysts	8	4	13	9	9	11
Dividend Yield	0.00%	0.00%	1.66%	0.00%	0.00%	0.00%
Value Score	B	-	-	A	A	A
Cash/Price	0.28	0.31	0.07	0.37	0.77	0.27
EV/EBITDA	6.63	3.20	13.28	4.59	2.13	8.74
PEG F1	NA	2.69	2.69	NA	NA	2.10
P/B	3.42	1.75	3.42	2.34	1.14	NA
P/CF	5.91	5.14	13.02	5.42	4.28	4.85
P/E F1	NA	29.47	21.07	NA	NA	27.25
P/S TTM	0.55	0.49	2.56	0.61	0.29	0.84
Earnings Yield	-10.10%	1.04%	4.47%	-1.35%	-12.76%	3.66%
Debt/Equity	0.98	0.21	0.70	0.52	0.42	-3.29
Cash Flow ($/share)	3.49	1.88	6.93	2.60	3.53	7.04
Growth Score	B	-	-	B	A	A
Historical EPS Growth (3-5 Years)	0.00%	-3.56%	10.10%	-0.08%	5.80%	-18.15%
Projected EPS Growth (F1/F0)	-205.40%	-70.78%	-1.80%	-112.61%	-364.38%	-45.26%
Current Cash Flow Growth	-14.41%	-0.52%	5.49%	0.06%	-6.25%	45.86%
Historical Cash Flow Growth (3-5 Years)	-5.36%	1.68%	8.50%	10.42%	-5.89%	6.20%
Current Ratio	1.46	1.50	1.37	1.88	1.50	1.31
Debt/Capital	49.54%	28.76%	42.02%	34.13%	29.67%	NA
Net Margin	-7.39%	-5.04%	10.35%	-4.86%	-4.61%	-6.96%
Return on Equity	-18.48%	-0.22%	14.88%	-0.22%	-10.04%	-19.91%
Sales/Assets	1.04	1.06	0.50	1.09	0.95	1.11
Projected Sales Growth (F1/F0)	-16.78%	-7.71%	-0.40%	-12.21%	-16.74%	-11.34%
Momentum Score	A	-	-	A	D	B
Daily Price Change	-3.83%	-2.04%	-2.29%	-4.02%	-4.97%	-1.73%
1-Week Price Change	10.87%	1.59%	0.01%	-2.13%	1.73%	4.38%
4-Week Price Change	19.77%	4.22%	2.49%	-5.05%	2.44%	8.34%
12-Week Price Change	57.13%	13.01%	3.88%	37.87%	60.51%	40.12%
52-Week Price Change	19.77%	-27.78%	1.66%	-13.29%	-12.80%	90.31%
20-Day Average Volume (Shares)	10,762,694	328,705	1,767,276	5,712,591	1,904,614	4,230,961
EPS F1 Estimate 1-Week Change	1.62%	0.00%	0.00%	5.08%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.09%	0.00%	0.25%	6.15%	-0.75%	7.40%
EPS F1 Estimate 12-Week Change	16.43%	11.67%	3.29%	30.86%	30.92%	6,368.18%
EPS Q1 Estimate Monthly Change	22.89%	0.00%	0.00%	4.75%	-20.93%	77.78%

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	B
Momentum Score	A
VGM Score	A

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

Disclosures

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

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

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

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

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

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.