

## Hain Celestial Group (HAIN)

**\$36.55** (As of 11/18/20)

Price Target (6-12 Months): **\$39.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/26/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**2-Buy**

Zacks Style Scores:

VGM:C

Value: D

Growth: B

Momentum: D

### Summary

Shares of Hain Celestial have increased and outperformed the industry in the past three months. The stock's momentum can be attributed to the company's sound growth fundamentals and impressive transformation efforts. This was reflected in its first-quarter fiscal 2021 performance, with the top and the bottom lines improving year on year. Also, adjusted earnings surpassed the Zacks Consensus Estimate for the fifth straight quarter. While higher sales and margins have fueled the bottom line, increased sales in the North America and International segments aided the top line. Gross margin also depicted solid growth, backed by supply-chain productivity initiatives and higher product mix. Going ahead, the company is on track with transformational and rationalization efforts. However, challenges related to the coronavirus cannot be ruled out.

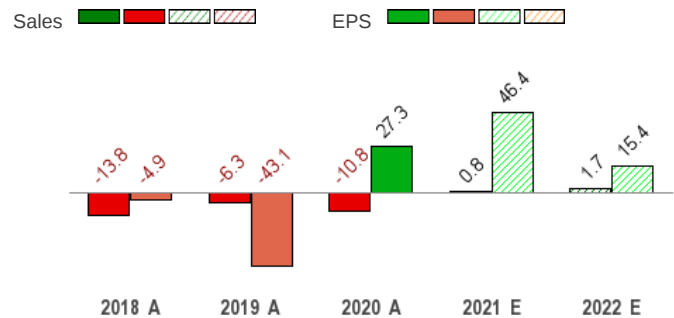
### Price, Consensus & Surprise



### Data Overview

|                                |                                    |
|--------------------------------|------------------------------------|
| 52-Week High-Low               | <b>\$38.11 - \$18.12</b>           |
| 20-Day Average Volume (Shares) | <b>853,776</b>                     |
| Market Cap                     | <b>\$3.7 B</b>                     |
| Year-To-Date Price Change      | <b>40.8%</b>                       |
| Beta                           | <b>0.75</b>                        |
| Dividend / Dividend Yield      | <b>\$0.00 / 0.0%</b>               |
| Industry                       | <b>Food - Miscellaneous</b>        |
| Zacks Industry Rank            | <b>Bottom 19% (205 out of 254)</b> |

### Sales and EPS Growth Rates (Y/Y %)



|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>50.0%</b>      |
| Last Sales Surprise           | <b>1.0%</b>       |
| EPS F1 Estimate 4-Week Change | <b>8.1%</b>       |
| Expected Report Date          | <b>02/04/2021</b> |
| Earnings ESP                  | <b>1.8%</b>       |
| P/E TTM                       | <b>35.1</b>       |
| P/E F1                        | <b>29.7</b>       |
| PEG F1                        | <b>NA</b>         |
| P/S TTM                       | <b>1.8</b>        |

### Sales Estimates (millions of \$)

|      | Q1    | Q2    | Q3    | Q4    | Annual* |
|------|-------|-------|-------|-------|---------|
| 2022 | 506 E | 530 E | 564 E | 531 E | 2,107 E |
| 2021 | 499 A | 520 E | 545 E | 507 E | 2,071 E |
| 2020 | 482 A | 507 A | 553 A | 512 A | 2,054 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2022 | \$0.27 E | \$0.31 E | \$0.41 E | \$0.40 E | \$1.42 E |
| 2021 | \$0.27 A | \$0.28 E | \$0.35 E | \$0.35 E | \$1.23 E |
| 2020 | \$0.08 A | \$0.17 A | \$0.28 A | \$0.32 A | \$0.84 A |

\*Quarterly figures may not add up to annual.

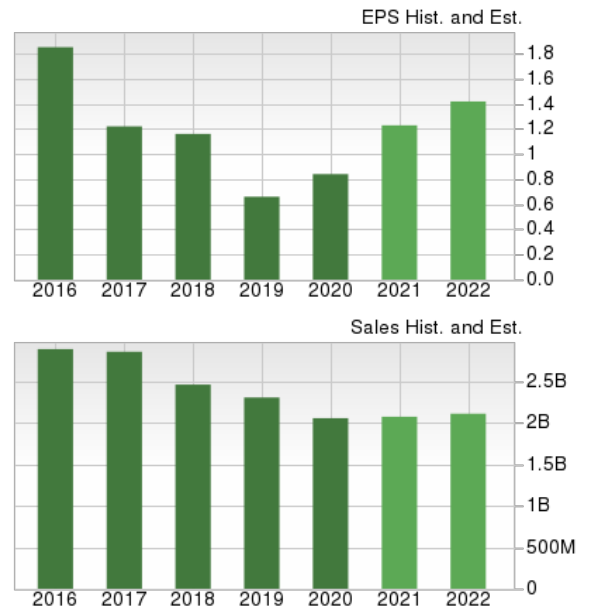
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 11/18/2020. The reports text is as of 11/19/2020.

## Overview

Incorporated in 1993 and headquartered in Lake Success, New York, The Hain Celestial Group, Inc. (HAIN) produces, distributes, markets, and sells various natural and organic foods as well as personal care products with operations in North America and Europe. The company offers popular better-for-you groceries (non-dairy beverages and frozen desserts, flour and baking mixes, cereals, condiments, cooking oils, infant and toddler food, etc.), snacks (potato and vegetable chips, organic tortilla style chips, whole grain chips and popcorn, etc.), and tea (include herb teas such as Lemon Zinger, Peppermint, Mandarin Orange Spice, Cinnamon Apple Spice, Red Zinger, etc.). Earlier, Hain Celestial reports its results in three segments United States, United Kingdom and Rest of World.

Following changes in the strategy that includes creating synergies among its businesses, Hain Celestial reassessed its segment reporting structure. Effective from Jul 1, the company's Canada and Hain Ventures operating units were moved from the Rest of World reporting segment to the United States reportable segment. The combined segment was renamed as "North America". Similarly, the Europe operating segment was combined with the United Kingdom reportable segment. Together, they are reported as the "International" segment.

The Hain Celestial Group is the largest manufacturer in the natural foods segment and has several leading brands. Some of the prominent brands are Earth's Best, Ella's Kitchen, Terra, Garden of Eatin', Sensible Portions, Health Valley, MaraNatha, Imagine, and Other notable brands include The Greek Gods, Yves Veggie Cuisine, Europe's Best, Cully & Sully, New Covent Garden Soup Co., Yorkshire Provender, Farmhouse Fare, Hartley's, Sun-Pat, Gale's, Robertson's, Frank Cooper's, Linda McCartney, Lima, Danival, Joya, Natumi, GG UniqueFiber, JASON, Avalon Organics, Alba Botanica, Live Clean and Queen Helene.



Source: Zacks Investment Research

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## Reasons To Buy:

▲ **Robust Q1 Earnings & Margins:** Shares of Hain Celestial have gained 7.8% in the past three months outperforming the industry's rise of 3%. Much of the stock's momentum can be attributed to its sound fundamentals and strategic efforts. In fact, during first-quarter fiscal 2021, the company's top and bottom line improved year on year. Also, adjusted earnings surpassed the Zacks Consensus Estimate for the fifth straight quarter. While higher sales and margins have fueled the bottom line, increased sales in the North America and International segments aided the top line. Moreover, adjusted gross margin expanded 326 basis points (bps), buoyed by gains from supply-chain productivity initiatives and higher product mix from Stock-Keeping Unit ("SKU") rationalization endeavors. Also, adjusted EBITDA margin expanded 435 bps on higher gross margin and lower SG&A.

Hain Celestial is focused on strategic goals and continues to make marketing investments in key brands. It is also on track with transformation and rationalization efforts.

For fiscal 2021, management expects gross margin to expand. Also it expects strong double digit growth in adjusted EBITDA along with expansion in adjusted EBITDA margins. For the second quarter of fiscal 2021, management anticipates net sales to grow in mid-single digit, at constant currency, after excluding divestitures and discontinued brands. Further, it expects gross margin to rise considerably in the quarter and anticipates higher adjusted EBITDA.

▲ **Strategic Endeavors:** Hain Celestial is focused on its global strategic goals and continues to make marketing investments in key brands. Further, it is progressing well with its transformation strategy to deliver sustainable profits. The transformation strategy is aimed at simplifying portfolio, identifying additional areas of productivity savings, enhancing margins, reviving top-line growth and improving cash flow. Moreover, well-chalked innovations, marketing and assortment optimization efforts have been supporting the company's top-line. It is also on track with boosting automation capabilities in plants for lowering costs, optimizing infrastructure, redesigning engineered products, driving synergies between the United States and Canada, and optimizing pricing.

Furthermore, Hain Celestial is on track to simplify its business in a bid to focus on areas with higher growth potential. In fact, by exiting smaller and non-strategic brands, the company is able to reduce supply-chain complexity and redeploy resources on bigger growth opportunities. The company sold its Danival business in Europe to Wessanen N.V.'s subsidiary. On May 1, 2020, it concluded the sale of the Rudi's Gluten Free Bakery TM and Rudi's Organic Bakery brands to an affiliate of the Promise Gluten Free. Earlier, management sold two loss making brands — SunSpire and Arrowhead Mills — for \$15 million and also divested Tilda to EBRO FOODS. Moreover, the company concluded the sale of its entire equity stake in Hain Pure Protein Corporation, which incorporates the FreeBird and Empire Kosher businesses.

▲ **Acquisitions Playing a Key Role:** Acquisitions form key part of the company's strategy to build market share. Buyouts have not only expanded the company's geographical presence but have also provided opportunities to cross-sell products in the United States, Canadian and European markets. A healthy balance sheet enables it to target strategic acquisition opportunities, which is likely to result in incremental sales along with providing the company a strong foothold in the packaged food and grocery market. Notably, one of the Hain Celestial's wholly-owned subsidiaries acquired Clarks UK Ltd. (The Natural Sweeteners Company), the leading maple syrup brand, and a natural sweetener brand, in the U.K. Earlier, the company purchased leading packaged grocery brands — Hartley's, Gale's Robertson's, Frank Cooper's and Sun-Pat — from Premier Foods plc. The company also acquired Ella's Kitchen Group Limited that offers organic baby food products under approximately 80 brands.

▲ **SKU Rationalization Program:** Hain Celestial has undertaken a number of initiatives to improve performance and to put itself on the growth trajectory. The company's SKU rationalization program has helped eliminate SKUs based on lower sales volume or weak margins, and identified 700 SKUs, which are already phased out of portfolio. The company initiated a more aggressive program called the 2018 Project Terra SKU rationalization.

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## Reasons To Sell:

- ▼ **Stock Looks Stretched:** Considering price-to-earnings (P/E) ratio, Hain Celestial looks overvalued when compared with the industry as well as the S&P 500. The stock has a trailing 12-month P/E ratio of 35.14, which is below its median level of 38.45 and the high level of 43.47 scaled in the past year. On the contrary, the trailing 12-month P/E ratio for the industry and the S&P 500 is 20.35 and 26.12, respectively.
- ▼ **Debt Analysis:** Hain Celestial's long-term debt (including operating lease liabilities) of \$371.9 as of Sep 30 shows an increase of 2.1% sequentially. Moreover, the company's debt-to-capitalization ratio at the end of the first quarter stands at 0.17 as compared to 0.16 at the end of the preceding quarter. Again, Hain Celestial ended first-quarter fiscal 2021 with cash & cash equivalents of \$27.5 million as of Jun 30, which shows a decrease of roughly 27.2% on a quarter-on-quarter basis.
- ▼ **Stiff Competition:** Hain Celestial operates in a highly competitive food industry, wherein it faces competition from conventional packaged goods companies as well as natural and organic packaged foods companies. The company competes on grounds of lower cost advantage, pricing, packaging, product quality, taste, geographic reach and responsiveness to changing consumer needs among others. Further, significant consolidation in the grocery and foodservice industry and consumers evolving preferences has intensified competition of late.
- ▼ **Seasonal Risks:** Hain Celestial remains prone to seasonal fluctuations for some of its product lines. For instance, sales for tea, baking products, soup, and hot cereal and desserts are stronger in colder months, while sales for snacks, sunscreen and personal care products are grater in warmer months. Absence of the appropriate season for these products may result in lower sales and in turn weigh on the company's overall performance. Over the recent years, sales and earnings per share in the fiscal first quarter have generally been the lowest in four quarters.

Hain Celestial operates in a highly competitive food industry, wherein it faces intense competition from the leading players. Also, it remains prone to seasonal risks.

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## Last Earnings Report

### Hain Celestial Q1 Earnings Top Estimates, Sales Up Y/Y

Hain Celestial reported first-quarter fiscal 2021 results, with the top and the bottom line exceeding the Zacks Consensus Estimate as well as improving year over year. Results were fueled by strong performance across the North America and the International units.

Management is particularly impressed with the strong margin growth witnessed in the quarter. Moreover, management believes that despite the challenges surrounding the coronavirus pandemic, the company is well positioned to keep growing. In fact it expects sustained growth in margins in the second quarter as well as in fiscal 2021.

Quarter Ending 09/2020

| Report Date      | Nov 09, 2020 |
|------------------|--------------|
| Sales Surprise   | 1.03%        |
| EPS Surprise     | 50.00%       |
| Quarterly EPS    | 0.27         |
| Annual EPS (TTM) | 1.04         |

### Quarter in Detail

Hain Celestial posted adjusted earnings of 27 cents a share, which surpassed the Zacks Consensus Estimate of 18 cents. This marked the company's fifth consecutive beat. The bottom-line also improved significantly from 8 cents reported in the prior-year quarter. Higher sales and margins seem to have fueled the bottom line.

Net sales were \$498.6 million, which climbed 3% on reported and 1% on a constant-currency (cc) basis. Top line surpassed the consensus mark of \$493.6 million. Higher sales in the North America and the International segments aided the top line. On adjusting for currency fluctuations, divestitures and discontinued brands, net sales advanced 5%.

Adjusted gross margin expanded 326 basis points (bps) to 24.1%, Adjusted operating income was \$38.8 million in the quarter, which more than doubled from \$16.9 million in the year-ago quarter. Adjusted EBITDA increased 71% to \$54.9 million, while adjusted EBITDA margin expanded 435 bps to 11%. The expansion was fueled by a higher gross margin.

### Segment Results

Net sales in the **North America** segment increased 3% year over year to \$280.7 million. On adjusting for currency movements, divestitures and discontinued brands, net sales rose 10%. Segment adjusted operating income rose a solid 83% to \$34.7 million. The segments adjusted EBITDA amounted to \$39.1 million, rising nearly 63%. Moreover adjusted EBITDA margin (as a percentage of sales and at cc) expanded 510 bps to reach 13.9%.

**International** net sales advanced 4% year over year to \$218 million. On adjusting for foreign currency fluctuations, divestitures and discontinued brands, net sales declined 1% year on year. Further, segment adjusted operating income surged 51% to \$17.3 million. Adjusted EBITDA amounted to \$26.7 million, rising nearly 35%. Adjusted EBITDA margin (as a percentage of sales and at cc) expanded 280 bps to reach 12.2%.

### Other Financials

The company ended the quarter with cash and cash equivalents of \$27.5 million, long-term debt (excluding current portion) of \$289 million and total shareholders' equity of \$1,436.6 million.

Cash provided by operating activities from continuing operations were \$40.7 million for the first quarter. The company's operating free cash flow from continuing operations was \$28.5 million.

During the quarter, management bought back 1.3 million shares at an average cost of \$32.81 per share. The company had shares worth \$147.8 million remaining under its buyback authorization as of Sep 30, 2020.

### Outlook

Due to uncertainty surrounding the COVID-19 pandemic, management refrained from providing specific top- and bottom-line guidance for fiscal 2021. However, it expects gross margin to expand. Also it expects strong double digit growth in adjusted EBITDA along with expansion in adjusted EBITDA margins.

For the second quarter of fiscal 2021, management anticipates net sales to grow in mid-single digit, at cc after excluding divestitures and discontinued brands. Further, it expects gross margin to rise considerably in the quarter and anticipates higher adjusted EBITDA.

## Valuation

Hain Celestial shares are up 34.4% in the year-to-date period and 51.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Consumer Staples sector are down 1% and 0.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 5.8% and 4%, respectively.

The S&P 500 index is up 13% in the year-to-date period and 17.4% in the past year.

The stock is currently trading at 28.06X forward 12-month earnings, which compares to 18.94X for the Zacks sub-industry, 20.11X for the Zacks sector and 22.41X for the S&P 500 index.

Over the past five years, the stock has traded as high as 39.52X and as low as 12.55X, with a 5-year median of 22.14X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$39 price target reflects 29.82X forward 12-month earnings.

The table below shows summary valuation data for HAIN

| Valuation Multiples - HAIN |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 28.06 | 18.94        | 20.11  | 22.41   |
|                            | 5-Year High   | 39.52 | 22.9         | 22.37  | 23.47   |
|                            | 5-Year Low    | 12.55 | 14.74        | 16.61  | 15.27   |
|                            | 5-Year Median | 22.14 | 18.52        | 19.56  | 17.72   |
| P/S F12M                   | Current       | 1.76  | 1.73         | 9.88   | 4.18    |
|                            | 5-Year High   | 1.82  | 2.05         | 11.16  | 4.3     |
|                            | 5-Year Low    | 0.65  | 1.4          | 8.14   | 3.17    |
|                            | 5-Year Median | 1.26  | 1.72         | 9.89   | 3.67    |
| EV/EBITDA TTM              | Current       | 20.37 | 13.53        | 38.9   | 15.91   |
|                            | 5-Year High   | 25.56 | 23.67        | 45.71  | 16.17   |
|                            | 5-Year Low    | 12.24 | 11.41        | 27.69  | 9.54    |
|                            | 5-Year Median | 17.96 | 15.12        | 39     | 13.11   |

As of 11/18/2020

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Bottom 19% (205 out of 254)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                    | Rec          | Rank |
|-------------------------------------|--------------|------|
| B&G Foods, Inc. (BGS)               | Neutral      | 3    |
| Lamb Weston Holdings Inc. (LW)      | Neutral      | 3    |
| Nomad Foods Limited (NOMD)          | Neutral      | 3    |
| SunOpta, Inc. (STKL)                | Neutral      | 2    |
| Aramark (ARMK)                      | Underperform | 4    |
| The Chefs Warehouse, Inc. (CHEF)    | Underperform | 4    |
| GRENCORE GRP (GNCGY)                | Underperform | 5    |
| Lancaster Colony Corporation (LANC) | Underperform | 5    |

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

| Industry Comparison Industry: Food - Miscellaneous |         |            |           | Industry Peers |              |              |
|----------------------------------------------------|---------|------------|-----------|----------------|--------------|--------------|
|                                                    | HAIN    | X Industry | S&P 500   | BGS            | CHEF         | GNCGY        |
| Zacks Recommendation (Long Term)                   | Neutral | -          | -         | Neutral        | Underperform | Underperform |
| Zacks Rank (Short Term)                            | 2       | -          | -         | 3              | 4            | 5            |
| VGM Score                                          | C       | -          | -         | C              | B            | A            |
| Market Cap                                         | 3.68 B  | 3.46 B     | 25.46 B   | 1.69 B         | 746.71 M     | 685.95 M     |
| # of Analysts                                      | 6       | 3          | 14        | 3              | 3            | 1            |
| Dividend Yield                                     | 0.00%   | 0.00%      | 1.51%     | 7.24%          | 0.00%        | 2.82%        |
| Value Score                                        | D       | -          | -         | B              | D            | A            |
| Cash/Price                                         | 0.01    | 0.07       | 0.06      | 0.03           | 0.28         | 0.06         |
| EV/EBITDA                                          | 37.67   | 12.52      | 14.42     | 12.37          | 11.86        | NA           |
| PEG F1                                             | NA      | 4.49       | 2.76      | NA             | NA           | NA           |
| P/B                                                | 2.57    | 2.44       | 3.55      | 2.00           | 1.98         | 1.57         |
| P/CF                                               | 26.70   | 12.10      | 13.64     | 9.32           | 10.29        | 7.50         |
| P/E F1                                             | 29.97   | 18.41      | 21.83     | 11.23          | NA           | 15.00        |
| P/S TTM                                            | 1.78    | 1.33       | 2.79      | 0.87           | 0.59         | NA           |
| Earnings Yield                                     | 3.37%   | 4.61%      | 4.41%     | 8.92%          | -8.65%       | 6.67%        |
| Debt/Equity                                        | 0.20    | 0.57       | 0.70      | 2.14           | 1.05         | 1.16         |
| Cash Flow (\$/share)                               | 1.37    | 2.68       | 6.92      | 2.81           | 1.92         | 0.82         |
| Growth Score                                       | B       | -          | -         | C              | A            | A            |
| Historical EPS Growth (3-5 Years)                  | -19.54% | 4.27%      | 9.79%     | -0.78%         | 7.46%        | NA           |
| Projected EPS Growth (F1/F0)                       | 46.23%  | 14.25%     | 0.36%     | 42.48%         | -269.63%     | 141.18%      |
| Current Cash Flow Growth                           | 16.71%  | 4.45%      | 5.39%     | -0.56%         | 20.81%       | -31.93%      |
| Historical Cash Flow Growth (3-5 Years)            | -11.10% | 6.08%      | 8.31%     | 4.81%          | 19.83%       | NA           |
| Current Ratio                                      | 1.86    | 1.69       | 1.38      | 2.56           | 3.25         | 0.70         |
| Debt/Capital                                       | 16.75%  | 36.72%     | 41.97%    | 68.15%         | 51.20%       | 53.61%       |
| Net Margin                                         | 1.31%   | 3.51%      | 10.41%    | 6.75%          | -2.78%       | NA           |
| Return on Equity                                   | 7.27%   | 11.37%     | 15.05%    | 17.25%         | -10.71%      | NA           |
| Sales/Assets                                       | 0.93    | 0.95       | 0.50      | 0.59           | 1.20         | NA           |
| Projected Sales Growth (F1/F0)                     | 0.83%   | 0.00%      | 0.16%     | 19.00%         | -29.28%      | 3.41%        |
| Momentum Score                                     | D       | -          | -         | C              | F            | C            |
| Daily Price Change                                 | -3.12%  | -0.31%     | -1.09%    | -0.87%         | -4.95%       | 0.00%        |
| 1-Week Price Change                                | 11.94%  | 2.15%      | 4.23%     | -4.43%         | 38.38%       | 26.54%       |
| 4-Week Price Change                                | 4.56%   | 1.40%      | 5.95%     | -6.42%         | 25.60%       | 17.14%       |
| 12-Week Price Change                               | 11.01%  | 0.00%      | 8.63%     | -15.88%        | 36.72%       | -3.76%       |
| 52-Week Price Change                               | 46.24%  | -0.01%     | 5.46%     | 61.12%         | -40.76%      | -51.79%      |
| 20-Day Average Volume (Shares)                     | 853,776 | 129,853    | 2,211,978 | 1,193,078      | 1,195,515    | 145          |
| EPS F1 Estimate 1-Week Change                      | 0.00%   | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 0.00%        |
| EPS F1 Estimate 4-Week Change                      | 8.06%   | 0.00%      | 1.67%     | 5.41%          | -9.59%       | 0.00%        |
| EPS F1 Estimate 12-Week Change                     | 21.14%  | 2.14%      | 3.56%     | 5.41%          | -11.98%      | -30.51%      |
| EPS Q1 Estimate Monthly Change                     | 9.27%   | 0.00%      | 0.63%     | 5.74%          | -45.83%      | NA           |

Source: Zacks Investment Research

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## 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.

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### 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    | D |
| Growth Score   | B |
| Momentum Score | D |
| 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.

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**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.

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**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.

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**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.