

Helen of Troy Limited (HELE)

\$217.34 (As of 05/03/21)

Price Target (6-12 Months): **\$185.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 05/03/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:B

Value: C

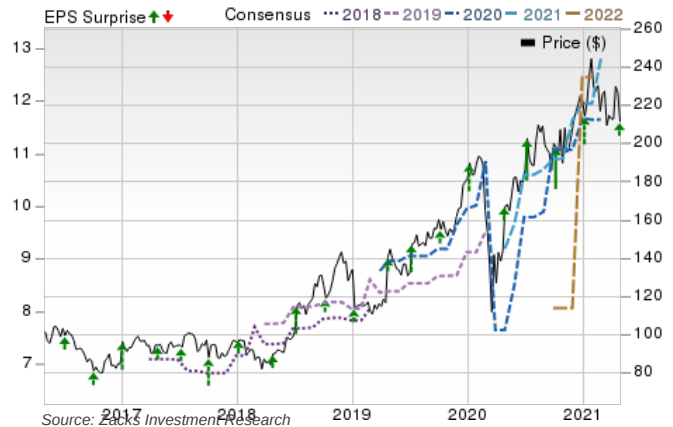
Growth: B

Momentum: D

Summary

Helen of Troy's shares have lagged the industry in the past three months. The company is battling soft adjusted operating margin. During fourth-quarter fiscal 2021, the metric contracted 3.8 points thanks to higher marketing, freight and distribution expenses as well as adverse product mix in the Housewares segment among others. Apart from this, Helen of Troy is grappling with escalated SG&A expenses. Also, unfavorable impacts from the Winter Storm Uri hurt Helen of Troy's earnings, which declined 16.5% year over year in the quarter. The company's international presence exposes it to risks associated with adverse foreign currency rates. Nevertheless, the company is benefiting from strength in its Leadership Brands. Also, solid online growth is providing a breather amid pandemic-led traffic declines at certain retail stores.

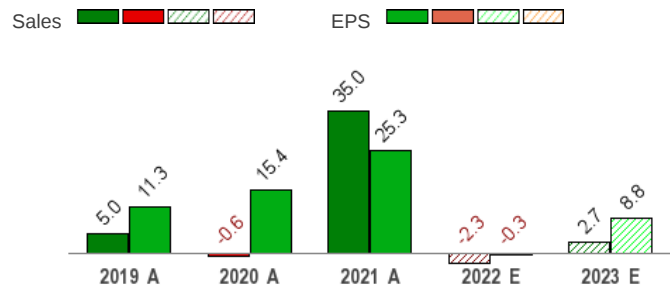
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$265.97 - \$158.97
20-Day Average Volume (Shares)	246,447
Market Cap	\$5.3 B
Year-To-Date Price Change	-2.2%
Beta	0.83
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Cosmetics
Zacks Industry Rank	Bottom 11% (224 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	0.6%
Last Sales Surprise	2.6%
EPS F1 Estimate 4-Week Change	-8.4%
Expected Report Date	07/08/2021
Earnings ESP	0.0%
P/E TTM	18.7
P/E F1	18.7
PEG F1	2.0
P/S TTM	2.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023					2,106 E
2022	443 E	501 E	586 E	519 E	2,050 E
2021	421 A	531 A	638 A	509 A	2,099 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023					\$12.64 E
2022	\$2.61 E	\$3.14 E	\$3.82 E	\$2.17 E	\$11.62 E
2021	\$2.53 A	\$3.77 A	\$3.76 A	\$1.57 A	\$11.65 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 05/03/2021. The report's text and the analyst-provided price target are as of 05/04/2021.

Overview

Founded in Texas in 1968, Helen of Troy is a leading consumer products player that operates through a diversified portfolio of renowned brands. The company, which was reorganized in Bermuda in 1994, has created a robust market position through its focus on product innovation, quality and effective pricing.

Helen of Troy operates through the following segments:

Housewares segment offers products required in cooking, cleaning, beverage services and other activities to make consumers' daily life convenient. Housewares sales are mainly made to retailers, alongside some direct-to-consumer distribution.

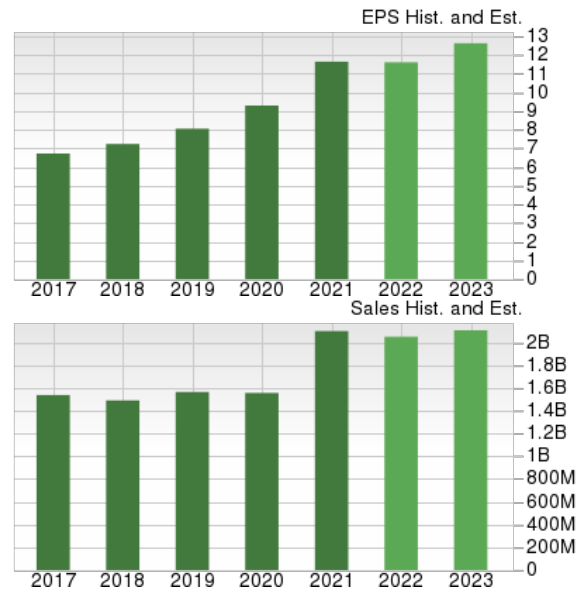
Health & Home segment offers products related to home environment and healthcare. Segment sales here are also mainly directed to retailers, alongside some direct-to-consumer distribution.

Beauty segment sells a wide range of personal care and beauty appliances products mainly to retailers and supply wholesalers.

The company divested its Nutritional Supplements segment in December 2017, through the sale of Healthy Directions LLC and its subsidiaries.

The company sells its products through merchandisers, warehouse clubs, home improvement stores, grocery and specialty stores, drugstore chains, wholesalers and distributors. Products of the company are marketed under a number of trademarks, many of which the company owns and some which have been licensed. In fact, substantial portion of revenues in the company's Beauty and Health & Home segments depend on continued use of trademarks licensed under various agreements. Further, the company extensively collaborates with retailers to come up with new product versions with exclusive designs and packaging.

Helen of Troy's products are marketed in over 90 countries.



Reasons To Sell:

- ▼ **Drab Operating Margin:** Helen of Troy is battling soft adjusted operating margin for a while now. During the fourth quarter of fiscal 2021, Helen of Troy's adjusted operating income tumbled 20.5% to \$42.9 million and the adjusted operating margin contracted 3.8 points to 8.4%. The downside was triggered by increased marketing and new product development costs, elevated freight and distribution expenses as well as adverse product mix in the Housewares unit. Moreover, increased legal, patent defense and other professional fees were a drag. Prior to this, adjusted operating margin had contracted 1.4 percentage points to 17.6% in the fiscal third quarter. We believe that persistence of such trends may dent the company's performance. The company's stock has dropped 5.3% during the past three months compared with the industry's decline of 2.3%.
- ▼ **Soft Q4 Earnings:** During the fourth quarter of fiscal 2021, Helen of Troy's adjusted earnings of \$1.57 per share declined 16.5% year over year mainly due to unfavorable impacts from the Winter Storm Uri (to the tune of about 20 cents per share) along with lower operating income in the Health & Home unit. Moreover, pandemic-led traffic declines at certain retail stores have been a concern for the company. We believe that persistence of this trend is likely to keep hurting the company in the future.
- ▼ **Cost Woes:** Lately, Helen of Troy is grappling with escalated SG&A expenses. During the fourth quarter of fiscal 2021, the company's SG&A expenses amounted to \$197.4 million, up from \$152.1 million reported in the year-ago quarter. Further, consolidated SG&A ratio increased 4.3 percentage points to 38.7% mainly due to increased marketing and new product development expense. Also, higher freight and distribution expense along with increased legal, patent defense and other professional fees were a reason. We note that increased demand for certain products and changes in shopping patterns due to the pandemic put pressure on the global freight channel – leading to elevated costs, reduced capacity and longer lead times in nearly all industries. With continued demand increases and limited supply for containers, the inbound freight rates have increased significantly from the 2020 average.
- ▼ **Cough/Cold/Flu Variability:** Seasonality is a major concern for Helen of Troy's Health & Home segment, which is extremely correlated to the severity of winter and occurrence of cold/cough/flu. Notably, the company's thermometer sales are correlated to pediatric fever and Vicks humidifier sales are associated with congestion and cough.
- ▼ **Risk of Operating in Overseas Markets:** Helen of Troy's performance might be largely affected by its presence in the international markets, which exposes it to the risk of unfavorable foreign-currency translations, economic or political instability, and other governmental actions on trade among others. We believe that the above-mentioned factors pose threats to the company's performance in the future.

Unfavorable impacts from the Winter Storm Uri hurt Helen of Troy's performance in fourth-quarter fiscal 2021. Also, rise in SG&A expenses is a headwind.

Risks

- **Focus on Leadership Brands:** The company has been focused on making solid investments in its Leadership Brands, which is a portfolio of market leading brands. Brands in this portfolio, including OXO, Hydro Flask, Vicks, Braun, Honeywell, PUR, Hot Tools and Drybar are positioned well to enhance market share. These brands account for a significant chunk of the company's sales, which generate solid margins and volumes. Notably, Leadership Brands contributed more than 81% to the company's sales in fiscal 2021. The company's constant investments in these brands that are considered most productive have been delivering robust results. The company made another move in this direction, when it acquired Drybar Products in January 2020. Drybar Products, which marks the company's eighth Leadership Brand, is yielding results and drove the top line in fourth-quarter fiscal 2021. Notably, the company's consolidated net sales included contributions worth \$10.4 million from the Drybar Products acquisition (in the eight week period before the buyout anniversary). Further, Leadership Brands' net sales jumped 20.2% in the quarter. In fiscal 2022, the company expects its Leadership Brands to continue catering well to customers. As part of its strategy to focus on Leadership Brands, the company decided to divest certain assets in its global mass channel personal care business (or Personal Care). It expects the divestiture to be completed shortly.
- **Solid Digital Efforts:** The company has been gaining from its consistent online sales and digital marketing efforts. Notably, online sales advanced nearly 30% year over year in the fourth quarter of fiscal 2021 and contributed nearly 27% to the company's top line. Management remains on track to make continued investments in this arena, in an attempt to keep pace with the evolving consumer environment. In fact, the company has been persistently augmenting its digital presence through sophisticated marketing plans and improved content. Earlier, the company stated that online development has been a key area of focus for its transformation plan — both Phase 1 and 2.
- **Strategic Initiatives:** Helen of Troy is making major investments in key areas to continue driving growth. To this end, the company is focused on investing in consumer-centric innovation, digital marketing and media, new packaging, enhanced production and distribution capacity as well as direct-to-consumer channels among others. Notably, management is on track to continue to invest in key growth areas as part of its Phase II Transformation efforts.

Moreover, the company expects to create further value through strategic acquisition in the future. Apart from these, in December 2020 Helen of Troy, via its subsidiaries, entered into a 100-year exclusive Trademark License Agreement with Revlon to license the trademark for hair care appliances and tools of the latter. Well, this marks another step for Helen of Troy to bolster its Beauty business and strengthen its brand portfolio.

- **Financial Status:** As of Feb 28, 2021, Helen of Troy's total debt of \$343.6 million decreased from \$440.4 million reported in the preceding quarter. Apart from this, the company's leverage ratio was 1 times as of the end of fourth-quarter fiscal 2021 compared with 1.2 times at the end of year-ago quarter and 1.3 times at the end of the previous quarter. Apart from this, the company ended the quarter with cash and cash equivalents of \$45.1 million.
-

Last Earnings Report

Helen of Troy's Q4 Earnings Top Estimates, Decline Y/Y

Helen of Troy reported fourth-quarter fiscal 2021 results, with the top line and the bottom line beating the Zacks Consensus Estimate. However, earnings declined year over year. Results were somewhat hampered by the impact from February Winter Storm Uri as well as pandemic-led traffic declines at certain retail stores. Nonetheless, strength in Leadership Brands, online sales growth and contributions from Drybar Products' acquisition were upsides. Certainly, the company remains focused on its Phase II Transformation plan.

Quarter Ending 02/2021

Report Date	Apr 28, 2021
Sales Surprise	2.60%
EPS Surprise	0.64%
Quarterly EPS	1.57
Annual EPS (TTM)	11.63

Management stated that as part of its focus on Leadership Brands, the company decided to divest certain assets in its global mass channel personal care business (or Personal Care). Further, the company said that it defines Core as strategic business, which is expected to be part of its ongoing operations, while business or assets (including assets held for sale), which are anticipated to be divested within a year, are defined as Non-Core.

Results in Detail

Adjusted earnings of \$1.57 per share surpassed the Zacks Consensus Estimate by a penny. However, the bottom line declined 16.5% year over year mainly due to unfavorable impacts from the Winter Storm Uri (to the tune of about 20 cents per share), along with lower operating income in the Health & Home unit. This was somewhat compensated by increased operating income in the Housewares and Beauty units, together with reduced weighted average diluted shares outstanding.

Consolidated net sales advanced 15.1% year over year to \$509.4 million, which beat the consensus mark of \$496.5 million. The year-over-year growth was driven by an increase of 12.2% in organic sales along with contributions worth \$10.4 million from the Drybar Products acquisition (in the eight week period before the buyout anniversary). Notably, organic sales growth was backed by increase in brick and mortar revenues, strong international sales along with solid online revenues. These upsides were however somewhat offset by adverse impacts from February Winter Storm Uri, softness in non-core business and pandemic-led traffic declines at some retail customers. During the quarter, Leadership Brands net sales jumped 20.2%, and online sales grew nearly 30%. Core business saw net sales advancement of 16.2%. In fiscal 2021, Leadership Brands formed more than 81% of the company's sales and online sales increased to account for 26% of total sales.

Consolidated gross margin moved up 1.7 percentage points to 45.2%, courtesy of improved channel mix in the Housewares unit, better product mix in the Organic Beauty business and the Health and Home segment, as well as positive impact Drybar Products' buyout. The upsides were partially negated by increased inbound freight expenses and adverse product mix in the Housewares unit. Adjusted operating income tumbled 20.5% to \$42.9 million, and the adjusted operating margin contracted 3.8 points to 8.4%. The downside was triggered by increased marketing and new product development costs, elevated freight and distribution expenses as well as adverse product mix in the Housewares unit. Moreover, increased legal, patent defense and other professional fees were a drag. These were somewhat offset by favorable product mix within Health & Home and the Organic Beauty business, positive channel mix within the Housewares segment, as well as lower travel expenses due to COVID-19.

Segmental Performance

Net sales in the **Housewares** segment increased 12.1% to \$162.5 million driven by growth of 11.8% in organic business. Organic growth was backed by increased demand for OXO brand products amid the pandemic-led increased at-home cooking, baking and organizing – which resulted in higher brick and mortar, online and international sales. This was partly countered by Winter Storm Uri effect, elevated competition, pandemic-induced traffic declines at certain brick and mortar stores and tough year-over-year comparison as the year-ago period included solid new product releases.

Net sales in the **Health & Home** segment advanced 23% to \$228.6 million, thanks to organic business growth of 21.9%. Organic sales were backed by burgeoning demand for healthy living and healthcare products across domestic and international markets, both in stores and online amid the pandemic. This was partly negated by softness in non-strategic product categories and unfavorable impact from Winter Storm Uri on quarter-end shipments.

Sales in the **Beauty** segment jumped 6% to \$118.3 million, thanks to contributions from the buyout of Drybar Products (for the period before the anniversary of the acquisition). This was somewhat hurt by lower organic sales stemming from lower Personal Care sales and the impact of the abovementioned storm on quarter-end shipments.

Other Financial Details

Helen of Troy ended the quarter with cash and cash equivalents of \$45.1 million and total debt of \$343.6 million. In fiscal 2021, net cash from operating activities amounted to \$314.1 million. Further, free cash flow was \$215.4 million. Additionally, the company repurchased 960,829 shares worth \$191.6 million during fiscal 2021.

Guidance

In fiscal 2022, the company expects its Leadership Brands to continue catering well to customers. As the pandemic persists, Helen of Troy expects favorable trends for its health-related brands. Other brands including Hydro Flask, Drybar, Revlon and HOT Tools are likely to do well in the post-pandemic environment. OXO is likely to perform well in most landscapes.

Management did not offer any guidance for fiscal 2022, given the extreme business uncertainty surrounding the pandemic, global supply-chain hiccups, volatile cost environment and uncertainty regarding availability of commodities, freight and other resources. Incidentally, increased demand for certain products and changes in shopping patterns due to the pandemic has put pressure on the global freight channel – leading to

elevated costs, reduced capacity and longer lead times in roughly all industries. With continued demand increases and limited supply for containers, the inbound freight rates have increased significantly from the 2020 average. Nonetheless, management is undertaking several cost-containment efforts, and is working with its supply chain partners to help tide over the anticipated inflation. Also, it intends to take certain pricing actions to address such challenges. These moves are likely to help Helen of Troy deliver on its Phase II average annual growth goals.

Valuation

Helen of Troy shares are down 2.2% in the year-to-date period and up 32.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 7.4% and the Zacks Consumer Staples sector gained 4.2% in the year-to-date period. Over the past year, the Zacks sub-industry went up 14.1% and the sector gained 26.5%.

The S&P 500 index is up 12.2% in the year-to-date period and 48.3% in the past year.

The stock is currently trading at 19.47X forward 12-month earnings, which compares to 48.04X for the Zacks sub-industry, 20.65X for the Zacks sector and 22.39X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.31X and as low as 11.72X, with a 5-year median of 16.39X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$185 price target reflects 16.57X forward 12-month earnings.

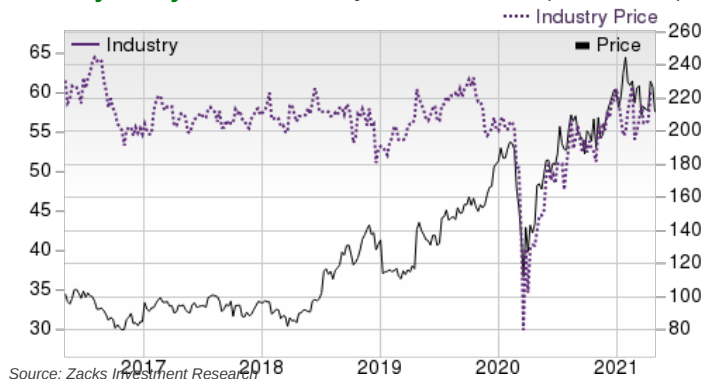
The table below shows summary valuation data for HELE

Valuation Multiples - HELE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.47	48.04	20.65	22.39
	5-Year High	27.31	48.04	22.4	23.83
	5-Year Low	11.72	19.65	16.52	15.3
	5-Year Median	16.39	26.69	19.5	18.01
P/S F12M	Current	2.57	7.93	10.41	4.74
	5-Year High	3.07	7.93	11.96	4.74
	5-Year Low	1.37	1.53	8.59	3.21
	5-Year Median	1.91	3.12	10.37	3.71
EV/EBITDA F12M	Current	15.68	39.99	38.23	15.8
	5-Year High	19.1	40.39	38.69	16.2
	5-Year Low	9.52	8.68	26.66	10.78
	5-Year Median	13.07	19.91	35.01	13.52

As of 05/03/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 11% (224 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Inter Parfums, Inc. (IPAR)	Outperform	1
Coty Inc. (COTY)	Neutral	3
e.l.f. Beauty Inc. (ELF)	Neutral	3
MANDOM CORP (MDOMF)	Neutral	4
Natura &Co Holding S.A. ADR (NTCO)	Neutral	2
Nu Skin Enterprises, Inc. (NUS)	Neutral	4
POLA ORBIS (PORBF)	Neutral	4
Revlon, Inc. (REV)	Neutral	4

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

Industry Comparison Industry: Cosmetics				Industry Peers		
	HELE	X Industry	S&P 500	NUS	PORBF	REV
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	4	4	4
VGM Score	B	-	-	A	-	A
Market Cap	5.31 B	1.93 B	30.45 B	2.69 B	NA	588.07 M
# of Analysts	3	3	12	4	2	1
Dividend Yield	0.00%	0.00%	1.28%	2.87%	0.00%	0.00%
Value Score	C	-	-	A	C	B
Cash/Price	0.01	0.08	0.06	0.16	NA	0.16
EV/EBITDA	17.49	12.94	17.44	7.80	NA	-102.74
PEG F1	1.99	4.53	2.29	NA	NA	NA
P/B	4.28	3.81	4.10	3.02	2.80	NA
P/CF	17.22	28.77	17.49	10.16	17.17	16.29
P/E F1	18.69	43.04	22.03	13.42	40.57	NA
P/S TTM	2.53	1.80	3.47	1.04	NA	0.31
Earnings Yield	5.35%	2.29%	4.46%	7.45%	2.46%	-24.78%
Debt/Equity	0.28	0.34	0.66	0.34	NA	-1.67
Cash Flow (\$/share)	12.62	1.15	6.78	5.21	1.16	0.69
Growth Score	B	-	-	A	C	A
Historical EPS Growth (3-5 Years)	13.23%	-0.07%	9.70%	2.65%	NA	NA
Projected EPS Growth (F1/F0)	-0.28%	18.75%	18.42%	8.75%	716.67%	-1.47%
Current Cash Flow Growth	21.47%	-5.39%	0.72%	6.05%	-26.74%	-36.56%
Historical Cash Flow Growth (3-5 Years)	8.16%	6.03%	7.37%	2.26%	NA	-30.26%
Current Ratio	1.58	1.52	1.39	1.66	5.58	1.24
Debt/Capital	21.61%	30.19%	41.53%	25.46%	NA	NA
Net Margin	12.10%	1.97%	11.55%	7.41%	2.98%	-32.51%
Return on Equity	23.17%	5.52%	15.47%	23.09%	5.08%	NA
Sales/Assets	0.96	0.78	0.51	1.41	0.86	0.68
Projected Sales Growth (F1/F0)	-2.35%	8.65%	8.42%	7.04%	8.77%	16.84%
Momentum Score	D	-	-	B	-	A
Daily Price Change	2.90%	0.00%	0.61%	0.25%	0.00%	-5.81%
1-Week Price Change	-6.71%	-0.57%	0.07%	-2.13%	0.00%	0.85%
4-Week Price Change	1.32%	3.65%	3.53%	1.88%	0.00%	-11.62%
12-Week Price Change	-5.48%	4.77%	11.85%	-14.02%	0.00%	-6.05%
52-Week Price Change	31.18%	58.50%	56.89%	93.75%	3.01%	-9.25%
20-Day Average Volume (Shares)	246,447	47,622	1,797,906	332,893	0	170,522
EPS F1 Estimate 1-Week Change	-9.17%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-8.39%	0.00%	0.59%	-0.32%	-3.92%	0.00%
EPS F1 Estimate 12-Week Change	-10.72%	-0.36%	2.24%	4.82%	-6.67%	-0.36%
EPS Q1 Estimate Monthly Change	-9.54%	0.00%	0.39%	0.00%	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

Disclosures

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

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

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

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

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

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

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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