

## Nordstrom, Inc. (JWN)

**\$36.07** (As of 06/24/21)

Price Target (6-12 Months): **\$38.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 10/27/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:D

Value: D

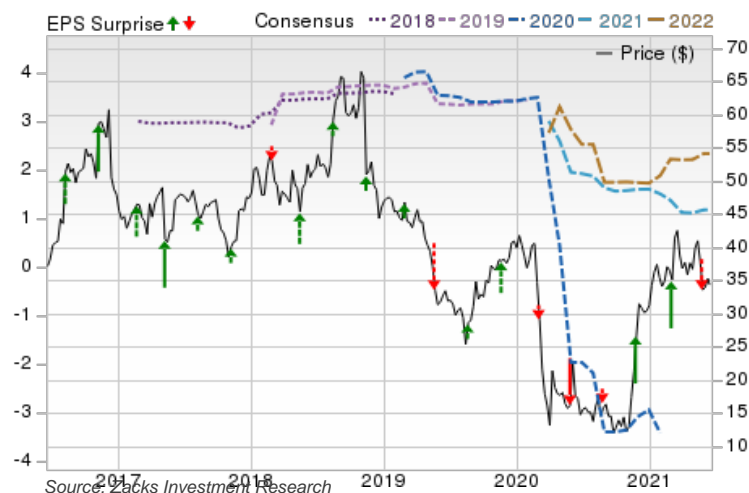
Growth: D

Momentum: C

## Summary

Nordstrom reported better-than-expected revenues in first-quarter fiscal 2021, while its loss per share was wider-than-expected. The top and bottom line improved year-over-year, reflecting a marked recovery due to the easing of COVID-related restrictions versus the prior year. Sales marked third straight quarter of sequential growth. Sales were aided by growth across both brands driven by robust customer demand and strong digital momentum. Increased vaccinations, lifting of COVID-related restrictions and government stimulus payments boosted demand. Moreover, management noted that the sequential top-line growth trend continued in to second-quarter fiscal 2021. However, Nordstrom's shares lagged the industry in the past three months on soft bottom line performance. Also, the results demonstrated adverse comparisons with first-quarter fiscal 2019.

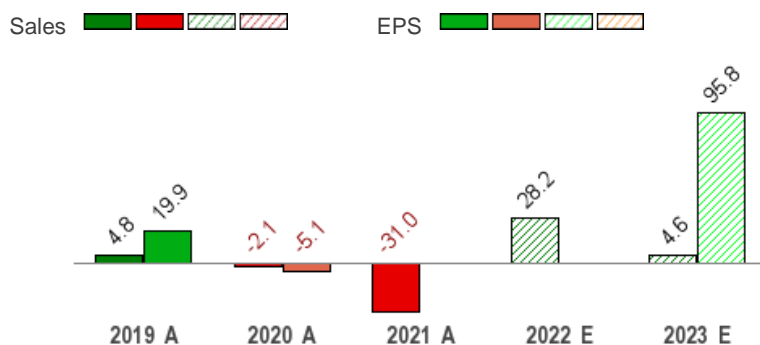
## Price, Consensus & Surprise



## Data Overview

52-Week High-Low	\$46.45 - \$11.72
20-Day Average Volume (Shares)	3,083,700
Market Cap	\$5.7 B
Year-To-Date Price Change	15.6%
Beta	2.43
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 25% (63 out of 252)

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



## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023	3,174 E	3,504 E	3,507 E	4,250 E	14,363 E
2022	3,009 A	3,276 E	3,324 E	4,076 E	13,736 E
2021	2,119 A	1,862 A	3,089 A	3,645 A	10,715 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023	-\$0.06 E	\$0.47 E	\$0.67 E	\$1.15 E	\$2.33 E
2022	-\$0.64 A	\$0.33 E	\$0.50 E	\$0.97 E	\$1.19 E
2021	-\$2.23 A	-\$1.62 A	\$0.22 A	\$0.21 A	-\$4.39 A

\*Quarterly figures may not add up to annual.

Last EPS Surprise	-20.8%
Last Sales Surprise	4.4%
EPS F1 Estimate 4-Week Change	0.4%
Expected Report Date	08/24/2021
Earnings ESP	-15.8%
P/E TTM	NA
P/E F1	30.3
PEG F1	5.1
P/S TTM	0.5

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/24/2021. The report's text and the

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analyst-provided price target are as of 06/25/2021.

## Overview

Founded in 1901 as a retail shoe business, and headquartered in Seattle, Washington, Nordstrom Inc. is a leading fashion specialty retailer in the United States. The company offers an extensive selection of both branded and private-label merchandise, which are positioned in the upscale segment of the industry.

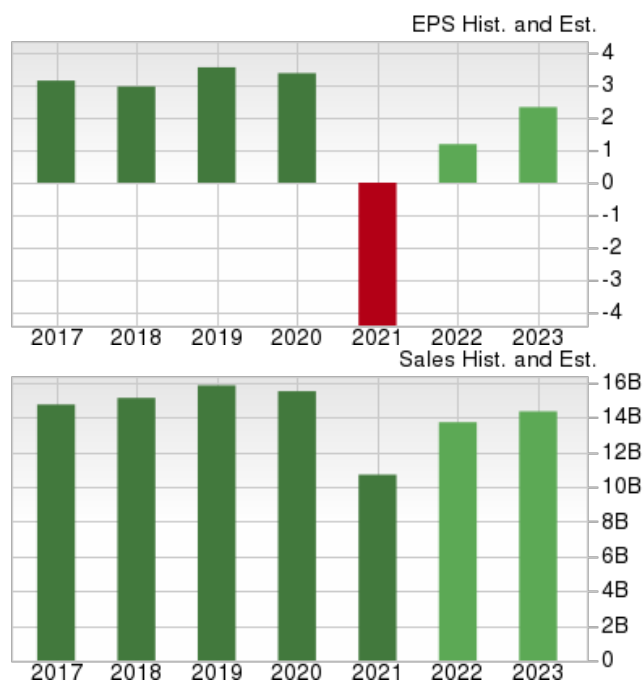
Meanwhile, the company offers high-quality apparel, shoes, cosmetics and related accessories for men, women, young adults and children through a variety of channels. These channels are namely, Nordstrom branded full-line stores; Nordstrom Rack stores; Jeffrey boutiques; clearance stores under the Last Chance name; Trunk Club clubhouses and Nordstrom Local. Also, the company serves customers online through Nordstrom.com; Nordstromrack.com; HauteLook; and TrunkClub.com.

The company aspires to become the best fashion retailer in the digital space by primarily focusing on its customers. Impressively, Nordstrom's digital sales represented approximately 46% of total sales in the first quarter of fiscal 2021.

Furthermore, Nordstrom's customer-based strategy focuses on three strategic factors — leveraging its brand strength, providing excellent services and offering compelling products. Furthermore, the company delivers service, product and experience, which include alterations, dining and styling in order to make shopping personalized and convenient.

The company operates through two segments: Retail and Credit Card. The Retail segment offers a selection of brand names and private-label merchandise. The segment includes Nordstrom branded full-line stores and website, off-price Nordstrom Rack stores and other retail channels including HauteLook and Jeffrey boutiques. The Credit Card segment operates Nordstrom private-label and co-branded VISA credit cards.

As of May 25, 2021, Nordstrom operated 357 stores in the United States and Canada, including 100 Nordstrom stores; 248 Nordstrom Rack stores; two clearance stores; and seven Nordstrom Local service hubs.



Source: Zacks Investment Research

## Reasons To Buy:

▲ **Robust Q1 Sales:** Nordstrom reported better-than-expected revenues in first-quarter fiscal 2021, which also improved 44% on a year over year basis. The upbeat sales performance can be attributed to broad-based improvement across the Nordstrom and Nordstrom Rack brands, both in stores and online, driven by robust customer demand. In first-quarter fiscal 2021, net sales for the Nordstrom and Nordstrom Rack brands advanced 36.7% and 59.5% year over year, respectively. Further, sales growth reflected overall improved trends, with growth across regions and merchandise categories. The demand recovery can be attributed to increased vaccinations, lifting of COVID-related restrictions in many markets and government stimulus payments. The company witnessed an acceleration in pent-up demand throughout the reported quarter as normal activities resumed, including social events, travel and return-to-office. Also, momentum in the digital business continued to aid the top line.

Nordstrom's Q1 revenues reflected a 720-bps sequential improvement, driven by recovery in stores sales and strong digital growth. This marked the third straight quarter of sequential sales growth.

Moreover, the company's total revenues reflected a 720-bps sequential improvement from the fourth quarter of fiscal 2020. This marked the third straight quarter of sequential top-line growth, driven by gains in both Nordstrom and Nordstrom Rack brands, led by a recovery in stores sales due to the easing of COVID-related restrictions and strong digital growth. Notably, sales for the Nordstrom brand improved 6% sequentially while Nordstrom Rack sales rose 10% sequentially in first-quarter fiscal 2021. Moreover, management noted that the sequential top-line growth trends continued in to the second quarter of fiscal 2021.

▲ **Upbeat View:** Nordstrom reiterated its outlook for fiscal 2021 based on recovery in demand, even though the uncertainty regarding COVID-19 lingers. It continues to anticipate total revenue growth of more than 25%, with digital representing 50% of sales. The company expects digital penetration to vary over the course of the year, driven by the pace of recovery at stores. Driven by expectations of improved gross margin and moderating of cost pressures, it expects EBIT margin to be 3% of sales for fiscal 2021. Income tax rate is expected to be 27%. For the first half of fiscal 2021, the company anticipates nearly breakeven EBIT, suggesting 45% of total fiscal 2021 sales.

▲ **Strong Digital Growth:** Nordstrom remains on track with its customer-based strategy which focuses on three strategic factors — leveraging its brand strength, providing excellent services and offering compelling products to its customers. Nordstrom remains focused on advancing in the technology space, by boosting e-commerce and digital networks, and improving its supply-chain channels and marketing efforts. In first-quarter fiscal 2021, digital sales advanced 23% year over year and 28% from the first quarter of fiscal 2019. The digital business witnessed gains from its efforts to unleash the full potential of its digital-first program. In the fiscal first quarter, digital sales represented 46% of net sales compared with 54% in the year-ago quarter. Moreover, digital penetration improved 15 percentage points on a two-year basis. Notably, the Nordstrom and Nordstrom Rack apps were the key drivers of improved customer engagement. Total app downloads in the quarter of more than one million represented more than 50% from the fiscal 2019 period. Mobile customers, including app users, constituted about 75% of the total digital traffic and two-thirds of total digital sales in the fiscal first quarter.

▲ **Market Strategy:** Nordstrom's market strategy helps engage with customers through better service and greater access to product, irrespective of the mode of shopping. In of first-quarter fiscal 2021, the company expanded the rollout to 10 new markets, including Atlanta, Houston, Detroit and Minneapolis. As of the end of first-quarter fiscal 2021, Nordstrom had its market strategy in place in all of its 20 top markets, contributing about 75% of its sales. As part of the strategy, the company continues to scale the enhanced capabilities, launched in 2020, like the expansion of order pickup and ship-to-store to all Nordstrom Rack stores, with order pickup more than doubling compared to the first quarter of 2019. Additionally, the company noted that nearly one-third of the next day order pickup volume for nordstrom.com in its top 20 markets was picked up at Rack stores since launch as it continues to integrate the capabilities across its two powerful brands. On May 27, 2021, the company launched its market strategy in its first market in Canada, Toronto. The strategy is rolled out to six stores in Toronto including Nordstrom Sherway Gardens, Nordstrom Yorkdale Shopping Centre, Nordstrom Toronto Eaton Centre, Nordstrom Rack Vaughan Mills, Nordstrom Rack Heartland Town Centre and Nordstrom Rack One Bloor.

▲ **Inventory Management:** Nordstrom has been balancing inventory levels with sales while managing receipt flows to mitigate potential supply-chain disruptions, which led to reduced ending inventory levels in first-quarter fiscal 2021. Notably, ending inventory declined 2% compared with first-quarter fiscal 2019. The inventory decline included \$120 million of spring and in-season inventory that was pulled forward to the first quarter of fiscal 2021, reflecting a 700-bps impact due to its decision to accelerate vendor shipments to support sales trends and mitigate potential supply-chain backlogs in the second quarter of fiscal 2021. The decline also marks a notable progress in addressing seasonal and underperforming category inventory from the fourth quarter of fiscal 2020 at both Nordstrom and Nordstrom Rack. Consequently, the company ended the fiscal first quarter with current and on-trend inventory in key categories for both the brands, ahead of the anniversary sale event.

▲ **Long Term Growth Strategy:** Nordstrom remains focused on its long-term strategy, which builds on its market strategy to capitalize on its digital-first platform to better serve customers, gain market share and deliver profitable growth. For this the company is focused on three areas – winning in most important markets, expanding the reach of Nordstrom Rack and enhancing its digital velocity. Nordstrom is expanding its newly launched market strategy to top 20 markets, which account for 75% of sales. Further, it is on track with integrating Nordstrom Rack assets and offering a wide range of price points offered at Nordstrom Rack. Also, increased focus on distribution capabilities along with improved connectivity of physical and digital inventory are likely to contribute to Nordstrom Rack sales by roughly \$2 billion in the long-term. Moreover, management envisions its digital unit to account for 50% of total sales. Apart from these, rise in new customers, enhanced personalization, expanded product offering are expected to aid revenue growth, profit margin and generating cash flow.

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As part of the strategy, Nordstrom issued a long-term outlook. It predicted revenues to grow low single-digits on an annual basis, with operating income likely to outpace revenues in the long term. EBIT margin is expected to be more than 6%, with annual operating cash flow anticipated to be more than \$1 billion. Capital expenditure is likely to be 3%-4% of sales.

▲ **Financial Stability:** Nordstrom ended first-quarter fiscal 2021 with a strong balance sheet, with available liquidity of \$977 million, including \$377 million of cash and cash equivalents. However, Nordstrom's long-term debt (net) of \$2,847 million as of May 1, 2021 increased 2.8% on a sequential basis. In April 2021, Nordstrom redeemed \$600 million of 8.75% secured notes and issued lower-coupon unsecured notes due in 2024 and 2031, which further enhanced its financial position. The transactions have made the company's bond portfolio entirely unsecured once again. Furthermore, the transactions are likely to reduce annualized interest expenses by \$30 million. Further, the company expects leverage ratio of 3 times by the end of fiscal 2021, positioning it to return cash to shareholders by the end of the year.

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## Reasons To Sell:

▼ **Dismal Bottom Line Performance Hurts Stock:** Shares of Nordstrom have lost 6.8% in the past three months, against the industry's growth of 10.6%. The company's dismal run can be attributed to its wider-than-expected loss per share and soft comparisons from the pre-pandemic levels in first-quarter fiscal 2021. Although the company's top and bottom lines in the fiscal first quarter improved on a year-over-year basis, representing a marked recovery owing to the easing of COVID-related restrictions compared with the prior year, adjusted loss of 64 cents per share compared unfavorably on a sequential basis and from the first quarter of 2019. Notably, the bottom line compared adversely with earnings of 21 cents in fourth-quarter fiscal 2020 and 23 cents earned in first-quarter 2019. The soft bottom-line performance can be attributed to continued cost pressures, elevated labor and shipping costs, and apparel industry supply constraints.

Nordstrom reported adjusted loss of 64 cents per share in Q1 owing to continued cost pressures, elevated labor and shipping costs, and apparel industry supply constraints.

▼ **Adverse Pre-pandemic Comparisons:** Although Nordstrom's first-quarter fiscal 2021 results improved year over year, it demonstrated adverse comparisons with first-quarter fiscal 2019 (which marks the pre-pandemic period). The pre-pandemic period is a more suitable basis for comparison as elevated COVID-19 impacts related to temporary store closures hurt industry-wide results throughout 2020. Notably, the top line declined 13% from the first quarter of fiscal 2019. Moreover, sales for Nordstrom and Nordstrom Rack brands reflected declines of 13% each from first-quarter fiscal 2019, mainly as in-store sales volumes are yet to match the pre-pandemic levels. Also, adjusted loss per share of 64 cents compared adversely with earnings of 23 cents earned in first-quarter 2019. Gross margin contracted 260 bps from first-quarter fiscal 2019 attributable to relatively lower sales and merchandise margins, offset by a permanent decline in buying and occupancy costs. Also, SG&A expenses, as a percentage of sales, increased 280 bps from first-quarter fiscal 2019 due to higher COVID-related labor and freight costs.

▼ **Competitive Pressure:** Nordstrom operates in a highly fragmented specialty retail sector and faces intense competition from other well-established players such as The Gap Inc., Limited Brands Inc., Abercrombie & Fitch Co. and Saks Inc. The company primarily competes on the basis of fashion, quality and service. To retain its existing market share, the company may have to reduce its sales prices, which in turn can affect its margins.

▼ **Macroeconomic Challenges & Seasonality of Business:** The apparel retail industry is consumer driven and hence, very sensitive to the health of the economy. Spending on apparel and accessories is heavily dependent on the personal disposable income of consumers. The current macroeconomic challenges such as high household debt and unemployment levels may restrain consumers from spending on these items. Further, the seasonal and cyclical nature of the company's business puts it at risk as failure to perform well during the peak season might hurt its annual performance.

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## Last Earnings Report

### Nordstrom Reports Wider-Than-Expected Q1 Loss

Nordstrom reported first-quarter fiscal 2021 results, wherein the loss per share was wider than expected, while sales beat the Zacks Consensus Estimate. While the top and bottom lines improved on a year-over-year basis, representing a marked recovery from COVID-related restrictions compared with the prior year, the bottom line compared unfavorably on a sequential basis and from the first quarter of 2019.

Nonetheless, the company's sales improved on a sequential basis for the third straight quarter. Moreover, it noted that sequential top-line growth trends continued to the second quarter of fiscal 2021.

#### Q1 Highlights

Nordstrom posted an adjusted loss of 64 cents per share, wider than the Zacks Consensus Estimate of a loss of 53 cents. However, the loss per share in the reported quarter narrowed compared with the loss of \$2.23 reported in the prior-year quarter. Nonetheless, the bottom line compared adversely with earnings of 21 cents in fourth-quarter fiscal 2020 and 23 cents earned in first-quarter 2019. The soft bottom-line performance can be attributed to continued cost pressures, elevated labor and shipping costs, and apparel industry supply constraints.

Total revenues advanced 44% year over year to \$3,009 million but surpassed the Zacks Consensus Estimate of \$2,882 million. In first-quarter fiscal 2021, net sales increased 44.2% to \$2,921 million, while Credit Card net revenues declined 5.4% to \$88 million.

The better-than-expected top-line performance can be attributed to broad-based improvement across the Nordstrom and Nordstrom Rack brands, both in stores and online, driven by robust customer demand. Further, sales growth reflected overall improved trends, with growth across regions and merchandise categories. The demand recovery can be attributed to increased vaccinations, lifting of COVID-related restrictions in many markets and government stimulus payments. The company witnessed an acceleration in pent-up demand throughout the reported quarter as normal activities resumed, including social events, travel and return-to-office.

Moreover, total revenues represented a 720-bps sequential improvement from the fourth quarter of fiscal 2020. This marked the third straight quarter of sequential top-line growth, driven by gains in both Nordstrom and Nordstrom Rack brands, led by a recovery in stores sales due to the easing of COVID-related restrictions and strong digital growth. Nonetheless, the top line reflected a decline of 13% from the first quarter of fiscal 2019, reflecting a decline from the pre-pandemic revenues.

In first-quarter fiscal 2021, net sales for the Nordstrom brand advanced 36.7% year over year to \$1,854 million. Sales for the Nordstrom Rack brand rose 59.5% year over year to \$1,067 million. Additionally, Nordstrom sales improved 6% sequentially and Nordstrom Rack sales rose 10% sequentially. However, sales for Nordstrom and Nordstrom Rack brands reflected declines of 13% each from first-quarter fiscal 2019.

Momentum in the digital business continued to aid the top line. Notably, digital sales advanced 23% year over year and 28% from the first quarter of fiscal 2019. The digital business witnessed gains from its efforts to unleash the full potential of its digital-first program. In the fiscal first quarter, digital sales represented 46% of net sales compared with 54% in the year-ago quarter.

Nordstrom's gross profit margin expanded 2,000 bps to 31% in the reported quarter. This substantial growth was a result of lower markdowns and leverage from higher net sales volume. However, gross margin contracted 260 bps from first-quarter fiscal 2019. The decline is attributed to relatively lower sales and merchandise margins, offset by a permanent decline in buying and occupancy costs.

Ending inventory declined 2% from first-quarter fiscal 2019. The company has been balancing inventory levels with sales, while managing receipt flows to mitigate potential supply-chain disruptions as the year progresses. The inventory decline from the fiscal 2019 quarter includes a 700-bps impact from the speeding up of vendor shipments to support sales trends and mitigate supply-chain backlogs in the fiscal second quarter.

Selling, general and administrative (SG&A) expenses, as a percentage of sales, declined 1,900 bps year over year to 37% in the fiscal first quarter. The SG&A decline was mainly driven by leverage on higher sales and the continued benefit of permanently reducing overhead costs by 15%. SG&A expenses also gained from the absence of \$250 million in charges associated with the impact of COVID-19 in 2020. However, SG&A expenses increased 280 bps from first-quarter fiscal 2019 due to higher COVID-related labor and freight costs.

Loss before interest and taxes of \$85 million reflected a decline from a loss of \$813 million in the year-ago quarter. This narrowing of loss was mainly the result of higher sales volume and lower SG&A expenses.

#### Other Financials

Nordstrom ended first-quarter fiscal 2021 with a strong balance sheet, with available liquidity of \$977 million, including \$377 million of cash and cash equivalents. Moreover, it had long-term debt (net of current liabilities) of \$2,847 million and total shareholders' equity of \$166 million.

As of May 1, 2021, the company used \$364 million of net cash for operating activities and spent \$126 million as capital expenditure.

#### Quarter Ending

04/2021

Report Date	May 25, 2021
Sales Surprise	4.40%
EPS Surprise	-20.75%
Quarterly EPS	-0.64
Annual EPS (TTM)	-1.83

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In April 2021, Nordstrom redeemed \$600 million of 8.75% secured notes and issued lower-coupon unsecured notes due in 2024 and 2031, which further enhanced its financial position. The transactions have made the company's bond portfolio entirely unsecured once again. Furthermore, the transactions are likely to reduce annualized interest expenses by \$30 million, beginning in the second quarter of fiscal 2021.

### **Fiscal 2021 Outlook**

While the uncertainty regarding COVID-19 lingers, the company reiterated its outlook for fiscal 2021 based on recovery in demand. It continues to anticipate total revenue growth of more than 25%, with digital representing 50% of sales. The company expects digital penetration to vary over the course of the year, driven by the pace of recovery at stores. Driven by expectations of improved gross margin and moderating of cost pressures, it expects EBIT margin to be 3% of sales for fiscal 2021. Income tax rate is expected to be 27%.

For fiscal 2021, capital expenditure is anticipated to be 3-4% of sales. It will likely support investments in technology and supply-chain capabilities. Further, the company expects leverage ratio of 3 times by the end of fiscal 2021, positioning it to return cash to shareholders by the end of the year.

For the first half of fiscal 2021, the company anticipates nearly breakeven EBIT, suggesting 45% of total fiscal 2021 sales.

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## Valuation

Nordstrom shares are up 15.6% in the year-to-date period and nearly 145.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 32.4% and 0.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 190.1% and 21.8%, respectively.

The S&P 500 index is up 13.8% in the year-to-date period and 43.3% in the past year.

The stock is currently trading at 0.41X forward 12-month sales, which compares to 1.29X for the Zacks sub-industry, 1.34X for the Zacks sector and 4.71X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.7X and as low as 0.14X, with a 5-year median of 0.46X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$38 price target reflects 0.43X forward 12-month sales.

The table below shows summary valuation data for JWN

Valuation Multiples - JWN					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.41	1.29	1.34	4.71
	5-Year High	0.7	1.3	1.41	4.74
	5-Year Low	0.14	0.34	0.84	3.21
	5-Year Median	0.46	0.83	1.02	3.72
P/B TTM	Current	34.53	10.16	5.57	7.06
	5-Year High	41.27	10.48	6.49	7.08
	5-Year Low	2.07	1.39	3.8	3.84
	5-Year Median	8.77	4.44	5.17	5.02
EV/EBITDA F12M	Current	6.9	9.44	13.07	17.23
	5-Year High	13.62	10.24	13.18	18.83
	5-Year Low	3.17	3.89	8.83	13.04
	5-Year Median	6.05	6.32	11.32	15.92

As of 06/24/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 25% (63 out of 252)



## Top Peers

Company (Ticker)	Rec	Rank
Foot Locker, Inc. (FL)	Outperform	2
The Gap, Inc. (GPS)	Outperform	3
L Brands, Inc. (LB)	Outperform	2
Capri Holdings Limited (CPRI)	Neutral	3
Next PLC (NXGPY)	Neutral	3
Kering SA (PPRU)	Neutral	3
Tapestry, Inc. (TPR)	Neutral	2
Hennes & Mauritz AB (HNNMY)	Underperform	5

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

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	JWN	X Industry	S&P 500	FL	GPS	LB
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Outperform	Outperform
Zacks Rank (Short Term)	3	-	-	2	3	2
VGM Score	D	-	-	A	D	B
Market Cap	5.73 B	1.40 B	29.99 B	6.33 B	12.50 B	19.97 B
# of Analysts	8	4	12	8	9	9
Dividend Yield	0.00%	0.00%	1.35%	1.31%	2.93%	0.83%
Value Score	D	-	-	A	C	A
Cash/Price	0.07	0.14	0.06	0.33	0.22	0.16
EV/EBITDA	-122.41	6.50	17.12	6.54	-33.82	10.97
PEG F1	5.14	1.57	2.06	2.71	1.62	0.96
P/B	34.53	4.22	4.11	2.16	4.45	NA
P/CF	12.81	17.60	17.50	13.51	NA	13.42
P/E F1	30.83	18.15	21.14	10.81	19.48	12.46
P/S TTM	0.49	0.82	3.40	0.74	0.80	1.51
Earnings Yield	3.30%	4.05%	4.66%	9.25%	5.14%	8.03%
Debt/Equity	17.15	0.03	0.66	0.00	0.79	-10.03
Cash Flow (\$/share)	2.82	0.85	6.86	4.53	-0.52	5.38
Growth Score	D	-	-	C	C	B
Historical EPS Growth (3-5 Years)	-7.06%	-6.25%	9.59%	-6.25%	-6.77%	-9.72%
Projected EPS Growth (F1/F0)	127.02%	114.59%	21.79%	101.33%	180.52%	67.34%
Current Cash Flow Growth	-67.80%	-45.04%	1.02%	-34.17%	-114.85%	-23.13%
Historical Cash Flow Growth (3-5 Years)	-17.19%	-4.43%	7.28%	-8.94%	NA	-1.33%
Current Ratio	0.87	1.65	1.39	1.71	1.65	1.72
Debt/Capital	94.49%	15.62%	41.51%	0.27%	44.15%	NA
Net Margin	-2.89%	1.96%	12.06%	7.45%	2.76%	10.73%
Return on Equity	-128.87%	9.75%	16.59%	21.23%	14.85%	-137.83%
Sales/Assets	1.21	1.14	0.51	1.20	1.13	1.20
Projected Sales Growth (F1/F0)	27.41%	23.26%	9.56%	11.24%	23.37%	21.61%
Momentum Score	C	-	-	B	D	F
Daily Price Change	2.59%	0.92%	0.58%	1.80%	0.49%	1.51%
1-Week Price Change	-9.55%	-5.10%	1.06%	-8.59%	-3.19%	-6.31%
4-Week Price Change	5.16%	2.80%	1.56%	-4.91%	-5.83%	3.89%
12-Week Price Change	-1.88%	12.43%	6.14%	7.79%	10.52%	16.73%
52-Week Price Change	134.68%	155.91%	38.35%	108.42%	225.79%	410.55%
20-Day Average Volume (Shares)	3,083,700	271,739	1,811,241	998,331	6,562,028	4,102,123
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	1.81%	-0.45%	0.00%
EPS F1 Estimate 4-Week Change	0.38%	4.63%	0.01%	3.58%	26.26%	0.00%
EPS F1 Estimate 12-Week Change	6.43%	18.97%	3.54%	22.72%	35.98%	27.59%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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EPS Q1 Estimate Monthly Change	6.02%	:	16.67%	0.00%	:	0.17%	-16.84%	0.00%
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.

### 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.

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.

Value Score	<b>D</b>
Growth Score	<b>D</b>
Momentum Score	<b>C</b>
VGM Score	<b>D</b>

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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-

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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 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

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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.