Kohls Corporation (KSS)

$56.50 (As of 06/24/21)

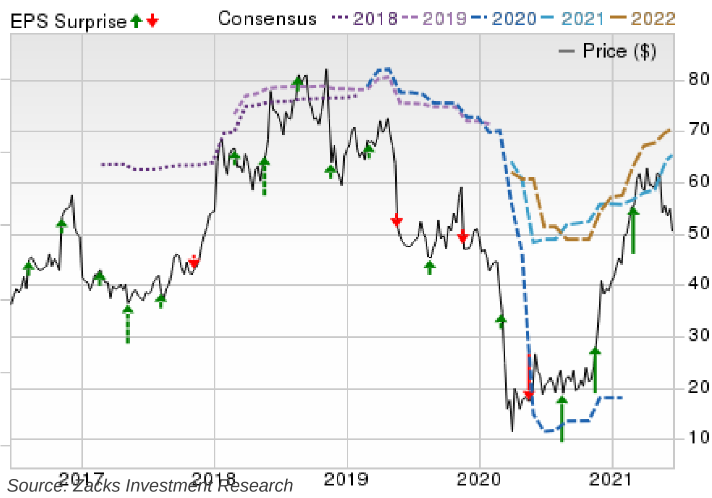
Price Target (6-12 Months): **$59.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/01/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: A	Momentum: C

Summary

Shares of Kohl's have underperformed the industry in the past three months. The company saw higher SG&A expenses during the first quarter of fiscal 2021. In fact, management expects the metric to grow sequentially in the fiscal second quarter, thanks to higher investments and store refresh activity-led costs. Nevertheless, the company is benefiting from its strategic framework introduced in October 2020. The strategic plan focuses on four key areas — driving top-line growth, expanding operating margin, implementing disciplined capital management as well as undertaking an agile, accountable and inclusive culture. Moreover, it is gaining on growing digital business for a while now. Notably, digital sales increased 14% in the fiscal first quarter. Also, Kohl's strong brand portfolio and solid partnerships are diving growth.

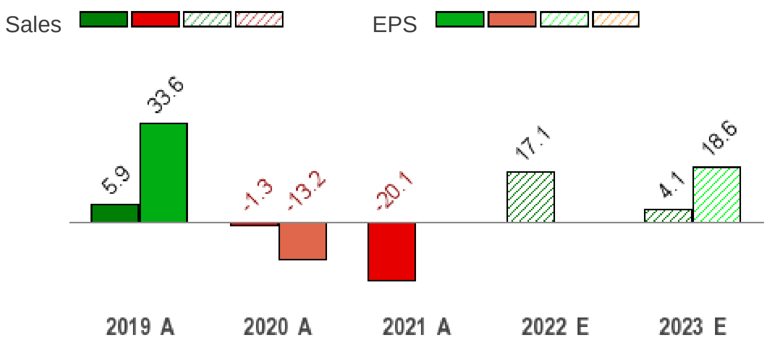
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$64.80 - $18.28**
20-Day Average Volume (Shares)	**3,327,645**
Market Cap	**$8.8 B**
Year-To-Date Price Change	**38.9%**
Beta	**2.15**
Dividend / Dividend Yield	**$1.00 / 1.8%**
Industry	**Retail - Regional Department Stores**
Zacks Industry Rank	**Top 2% (4 out of 252)**
Last EPS Surprise	**113.5%**
Last Sales Surprise	**8.9%**
EPS F1 Estimate 4-Week Change	**5.9%**
Expected Report Date	**08/17/2021**
Earnings ESP	**0.0%**
P/E TTM	**18.7**
P/E F1	**14.4**
PEG F1	**1.8**
P/S TTM	**0.5**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2023	3,994 E	4,302 E	4,526 E	6,741 E	19,438 E
2022	3,887 A	4,050 E	4,321 E	6,522 E	18,679 E
2021	2,428 A	3,407 A	3,979 A	6,141 A	15,955 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023	$1.07 E	$1.35 E	$0.62 E	$2.12 E	$4.65 E
2022	$1.05 A	$1.05 E	$0.29 E	$1.74 E	$3.92 E
2021	-$3.20 A	-$0.25 A	$0.01 A	$2.22 A	-$1.21 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 06/24/2021. The report's text and the analyst-provided price target are as of 06/25/2021.

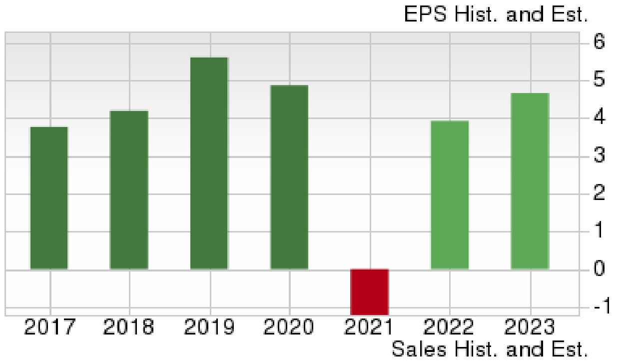
Overview

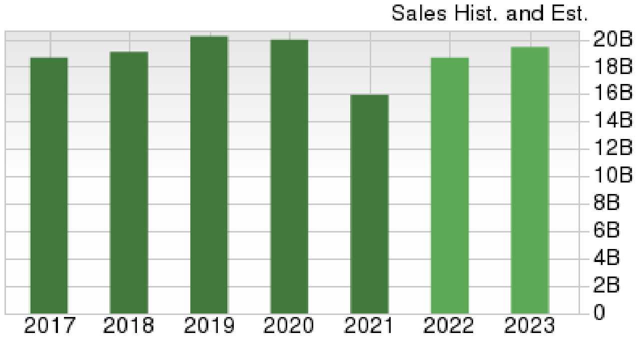
Headquartered in Menomonee Falls, WI, Kohl's Corp. is a U.S. based department store chain that operates specialty department stores and an e-commerce site in the U.S.As of Nov 19, 2019, Kohl's operated more than 1,100 stores across 49 states.

These offer moderately-priced apparel, footwear and accessories for women, men and children; beauty and home articles. The department store appeals to middle-class consumers as it sells discounted branded and private label clothing and home goods.

The company's merchandise includes both national brands and private and exclusive brands that are available only at Kohl's. National brands including Dockers, Levi's, Columbia Sportswear, Reebok, Champion, Oshkosh, Pfatzgraff, and KitchenAid generally have higher selling prices, but lower gross margins, than private and exclusive brands. Kohl's private brands include Apt. 9, Croft & Barrow, Jumping Beans, SO and Sonoma Goods for Life.

Despite having lower selling prices, private brands generally have higher gross margins than exclusive and national brands. Exclusive brands including Food Network, Jennifer Lopez, Marc Anthony, Rock & Republic and Simply Vera Vera Wang are developed and marketed through agreements with nationally-recognized brands.





In addition, Kohl's also offers online shopping. Its website features a selection of items and categories beyond what is available in stores, with a primary focus on extended sizes, product line extensions and web-exclusive product lines.

Source: Zacks Investment Research

Reasons To Buy:

Kohl's strategic framework to drive growth is noteworthy. The company also has a strong brand portfolio and a solid e-commerce business.

▲ **Strategic Efforts to Drive Growth**: The company is benefiting from its strategic framework introduced in October 2020. The strategic plan focuses on four key areas — driving top-line growth, expanding operating margin, implementing disciplined capital management and undertaking an agile accountable and inclusive culture. Under its driving top-line growth initiative, the company intends to become the most trusted retailer of choice for the active and casual lifestyle. Also, it expects to reignite growth in women's business and build a significant size beauty business. This is likely to be aided by the recent alliance with Sephora. Further, Kohl's is on track to grow its Active category from 20% to at least 30% of its business. In this regard, the company is on track to increase dedicated space and store, widen its product assortment along with capitalizing on whitespace opportunities in athleisure as well as in inclusive sizing. Well, expanding outdoor via prudent alliances like the recent Eddie Bauer launch and strengthening of its athleisure opportunity through the launch of FLX are impressive steps in this direction. Notably, active sales almost doubled year over year in the first quarter of fiscal 2021.

Apart from these, Kohl's is undertaking strategic efforts to solidify its omnichannel business, with its investments yielding solid results. Moving on, the company intends to reach its operating margin goal of 7-8% by 2023 with the help of modest level of growth, its ongoing transformational margin initiatives and continued focus on operational excellence. Kohl's expects to achieve this target via gross margin as well as selling, general and administrative (SG&A) expense efficiency. Finally, Kohl's is committed to disciplined capital management by maintaining investment grade rating, generating robust cash flows and returning wealth to shareholders.

▲ **Robust Q1, Raised View**: Kohl's posted first-quarter fiscal 2021 results, with the top and the bottom line beating Zacks Consensus Estimate as well as increasing year over year. During the quarter, the company benefited from favorable consumer spending backdrop. Also, its key strategic initiatives are yielding. The company witnessed robust momentum, especially in its stores during the quarter. Notably, total revenues came in at $3,887 million, up 60.1%. Meanwhile, net sales surged 69.5% to 3,662 million. Further, adjusted earnings of $1.05 per share compares favorably against adjusted loss of $3.22 per share reported in the year-ago quarter. The upside can be attributed to solid net sales growth, gross margin expansion along with efficient expense management.

Following the company's robust first-quarter results, management raised fiscal 2021 guidance. Management now expects net sales to grow in mid-to-high teens percentage rate. Earlier, the company had anticipated the metric to grow in the mid-teens percentage range. Operating margin is now likely to be 5.7-6.1%, higher than the previous expectation of 4.5-5% in fiscal 2021. Further, Kohl's now envisions earnings per share in the range of $3.80-$4.20, excluding non-recurring charges. The company had previously projected the metric in the range of $2.45-$2.95.

▲ **Digital Business**: Kohl's has been benefiting from its growing digital business, especially amid pandemic-led customers' increased shift to online shopping. The company remains focused on making investments in this business, which has seen its sales more than double since 2014. Stellar digital sales added gleam to first-quarter fiscal 2021 performance. Impressively, digital sales increased 14% year over year and surged more than 40% from 2019 level. Notably, digital sales contributed 30% to sales in the quarter. Meanwhile, stores continued to aid growth by selling almost 40% of digital sales. Prior to this, digital sales contributed 42% to total sales, while increasing 22% during fiscal fourth-quarter. Given the need of the hour, management has been speeding up its digital marketing and enhancing its website to cater to customers' needs.

We note that the company's solid endeavors to boost mobile traffic have augmented the adoption of the Kohl app, making it a vital constituent of online sales. During the first quarter of fiscal 2021, the app accounted for one-third of online sales led by double-digit user growth and enhanced conversion rates. To improve online offerings, Kohl's has been expanding its e-commerce fulfillment centers alongside strengthening in-store pickups. The company's Buy Online, Pickup In Store; Buy Online Ship to Store; curbside pickup and Amazon Returns initiatives are noteworthy. Other efforts to bolster digital sales include Smart Cart, Your Price and personalized search.

▲ **Strong Brand Portfolio and Regular Innovation**: Kohl's offers moderately priced exclusive and national brands, which include apparel, shoes, accessories, beauty and home products. The company has established a strong brand portfolio with national brands such as Dockers, Levi's, Columbia Sportswear, Reebok, Champion, Oshkosh, Pfatzgraff, and KitchenAid. Moreover, the company has been keen on growing its Active business and enhancing brand portfolio to meet consumers' evolving tastes. Recently, Kohl's unveiled plans to bring TOMMY HILFIGER men's sportswear across more than 600 stores nationwide and online, beginning this fall. On Mar 25, Kohl's stated that one of America's iconic footwear brand — Cole Haan — is available across 200 Kohl's stores and online. On Mar 11, Kohl's announced that FLX — its first private-label, specialty athleisure brand is available in more than 300 Kohl's stores.

On its last earnings call, management highlighted that it is impressed with the brands performance and expects to broaden the assortment and expand to 500 stores by this fall. In order to attract millennials and bolster its active and outdoor business, Kohl's partnered with Eddie Bauer in February. The company will launch high-quality Eddie Bauer outdoor performance outerwear and apparel across almost 500 stores as well as online by fall. Also, Kohl's added Land's End products to its national brand portfolio in March 2020. The company also highlighted that it is on track to expand Land's End products to 300 stores by fall. The company's private brand portfolio including Jumping Beans, SOW, and Sonoma among others have been yielding. Also, in the active category, the company boasts brands like Adidas, Under Armour and Nike. Well, strength in the company's brand portfolio keeps it well-positioned for the upcoming back-to-school season.

▲ **Partnerships Boost performance**: Kohl's has been strengthening its ties with retail giant Amazon to drive traffic. Incidentally, the company has been benefiting from the rollout of its Amazon returns program nationwide. According to this program, Kohl's stores accept free, unpackaged and easy returns for customers of Amazon. The company is impressed with performance of the Amazon returns program. One of the prime objectives of this program is to convert more customers as loyal Kohl's shoppers. Further, the company's recent solid partnership with Sephora to create a new era of elevated Beauty at Kohl's, bodes well. Management plans to open 200 Sephora at Kohl's stores during 2021. Also, the company's online beauty selection on Kohls.com will exclusively feature an extensive collection of Sephora's prestige product offerings beginning Aug 1. By 2023, Kohl's expects to expand Sephora shops to at least 850 stores, with 400 locations projected to open in 2022.

▲ **Financial Status**: Kohl's ended the first quarter of fiscal 2021 (as of May 1, 2021) with long-term debt (including finance and operating lease obligations) of $6,002 million, down from $6,463 million posted in the preceding quarter. The company's current finance leases and financing obligations, and operating leases stand at $112 million and $159 million, respectively as of May 1, 2021. Further, the company holds cash and cash equivalents of $1,609 million as of the end of the first quarter.

On May 12, the company declared a quarterly cash dividend of 25 cents per share, which is payable on Jun 23 to shareholders of record as of Jun 9. Notably, Kohl's has a dividend payout of 33%, dividend yield of 1.8% and free cash flow yield of 17.6%. With an annual free cash flow return on investment of 15.3%, ahead of the industry's 8.1%; the dividend payment is likely to be sustainable.

Reasons To Sell:

The company is grappling with higher costs. Notably, SG&A expenses are likely to grow sequentially in the second quarter of fiscal 2021.

- **Cost Woes**: Kohl's shares have declined 3.8% in the past three months against the industry's growth of 12.1%. During the first quarter of fiscal 2021, Kohl's SG&A expenses increased 9.8% year over year to $1,170 million. In fact, management expects SG&A expenses to grow sequentially in the fiscal second quarter. The downside is likely to be caused by higher investments in the Sephora partnership launch as well as expenses related to its store refresh activity.

- **Industry-Wide Headwinds**: Kohl's is exposed to the threat of constantly changing consumer spending habits that may impact the performance of the company's business assortments and categories. Amongst such concerns, the risk of losing foot-traffic in brick-and-mortar stores, thanks to consumer shift toward online shopping poses significant risks.

- **Competitive Pressure**: Kohl's operates in the highly competitive retail sector. The company faces competition in terms of style, quality, price and convenience among others in the industry. Kohl's primary competitors are traditional department stores, mass merchandisers, off-price retailers, specialty stores, internet and catalog businesses, and other forms of retail commerce.

- **Lack of International Exposure**: Kohl's has no stores outside the U.S. and therefore no international presence to serve as a buffer to fluctuations in the U.S. economy. Other departmental store chains like Walmart have a strong international presence. This lowers Kohl's competitive advantage over peers.

Last Earnings Report

Kohl's Q1 Sales & Earnings Top Estimates, Increase Y/Y

Quarter Ending	04/2021
Report Date	May 20, 2021
Sales Surprise	8.93%
EPS Surprise	113.46%
Quarterly EPS	1.05
Annual EPS (TTM)	3.03

Kohl's posted first-quarter fiscal 2021 results, with the top and the bottom line beating Zacks Consensus Estimate as well as increasing year over year. Following the company's robust first-quarter results, management is raising fiscal 2021 guidance.

During the quarter, the company benefited from favorable consumer spending backdrop. Also, its key strategic initiatives are yielding. The company witnessed robust momentum, especially in its stores during the quarter. Moreover, management is optimistic about the launch of its Sephora partnership.

Q1 in Detail

Kohl's posted adjusted earnings of $1.05 per share. Notably, this compares favorably against adjusted loss of $3.22 per share reported in the year-ago quarter. Further, the Zacks Consensus Estimate for bottom line was pegged at a breakeven on a per share basis.

Total revenues came in at $3,887 million, up 60.1% from the prior-year quarter's levels. Moreover, the metric surpassed the Zacks Consensus Estimate of $3,568.3 million. Net sales surged 69.5% in the quarter to 3,662.

Gross margin expanded 2,173 basis points to 39% in the quarter under review.

SG&A expenses increased 9.8% year over year to $1,170 million. Nevertheless, as a percentage of total revenues, SG&A expenses declined to 30.1% in the quarter from 43.9% in the prior-year quarter. The company reported operating income of $273 million against an operating loss of $718 million posted in the prior-year quarter.

Other Financial Details

Kohl's ended the quarter, with cash and cash equivalents of $1,609 million, long-term debt of $1,909 million and shareholders' equity of $5,117 million. Further, Kohl's generated net cash from operating activities of $278 million during the three months ended May 1, 2021.

On May 12, the company declared a quarterly cash dividend of 25 cents per share, which is payable on Jun 23 to shareholders of record as of Jun 9.

Outlook

This company now expects net sales to grow in mid-to-high teens percentage rate. Earlier, the company had anticipated the metric to grow in the mid-teens percentage range. Operating margin is now likely to be 5.7-6.1%, higher than the previous expectation of 4.5-5%. Further, Kohl's now envisions earnings per share in the range of $3.80-$4.20, excluding non-recurring charges. The company had previously projected the metric in the range of $2.45-$2.95.

Recent News

Kohl's to Offer TOMMY HILFIGER Items in Stores & Online – Apr 20, 2021

Kohl's unveiled plans to bring TOMMY HILFIGER men's sportswear across more than 600 stores nationwide, beginning this fall. Also, the company will offer an expanded collection of the brand on Kohls.com. We note that, Tommy Hilfiger's assortment at Kohl's will include staple pieces along with seasonal styles. Further, Kohl's will offer an enhanced branded in-store and merchandise experience in almost 100 stores to add to its existing modernized store experience.

Well, the deal leverages Kohl's solid nationwide footprint and online presence to enhance Tommy Hilfiger's scale of business across the United States. Meanwhile, the addition of TOMMY HILFIGER to Kohl's existing portfolio of solid brands bodes well.

Kohl's Opens New Fulfillment Centre to Boost E-commerce – Apr 06, 2021

Kohl's opened its sixth e-commerce fulfillment centre in Etna, OH. This is likely to help the company in meeting the online demand for its products more efficiently and thereby accelerate digital sales. This new facility is the company's largest and the most efficient e-commerce fulfillment centre. This next-generation facility makes use of automation and advanced technologies for processing orders faster.

Kohl's Offers Cole Haan Footwear to Boost Active Category – Mar 25, 2021

Kohl's stated that one of America's iconic footwear brand — Cole Haan — is available across 200 Kohl's stores. Also, consumers can purchase the collection online at Kohls.com. We note that the Cole Haan's footwear offerings at Kohl's include leather loafers, sneakers as well as its proprietary Stitchlite oxfords for both men and women. Along with this, the collection features seasonal trends like platform sandals and weather-proof boots. The collection is curated keeping in mind consumer's needs for versatile apparel and footwear for an active and casual lifestyle. The addition of Cole Haan to Kohl's existing portfolio of solid national footwear brands like Vans, TOMS, Converse, Nike, Under Armour and adidas among others bodes well.

Kohl's Launches FLX Products in Over 300 Stores & Online – Mar 11, 2021

Kohl's announced that — FLX — its first private label, specialty athleisure brand is now available in more than 300 Kohl's stores. Also, this sustainably-focused brand that features both women's and men's apparel, is available on Kohls.com. The FLX assortment features both core products along with a rotation of seasonally relevant items. Notably, FLX is designed keeping in mind themes of active and outdoor, urban and commuter as well as travel and leisure styles. The collection includes active and casual items like leggings, joggers, tees, and sweatshirts in plus, big and tall sizes. Also, it offers trendy commuter styles including dresses, button downs, blazers and jackets.

Valuation

Kohl's shares are up 40% in the year-to-date period and 203.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 63.7% and stocks in the Zacks Retail – Wholesale sector gained 0.4% in the year-to-date period. Over the past year, the Zacks sub-industry increased 242.7% while and the sector increased 23.3%.

The S&P 500 index is up 14.5% in the year-to-date period and 45.6% in the past year.

The stock is currently trading at 0.47X forward 12-month sales, which compares to 0.46X 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 0.68X and as low as 0.09X, with a 5-year median of 0.41X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $59 price target reflects 0.49X forward 12-month sales.

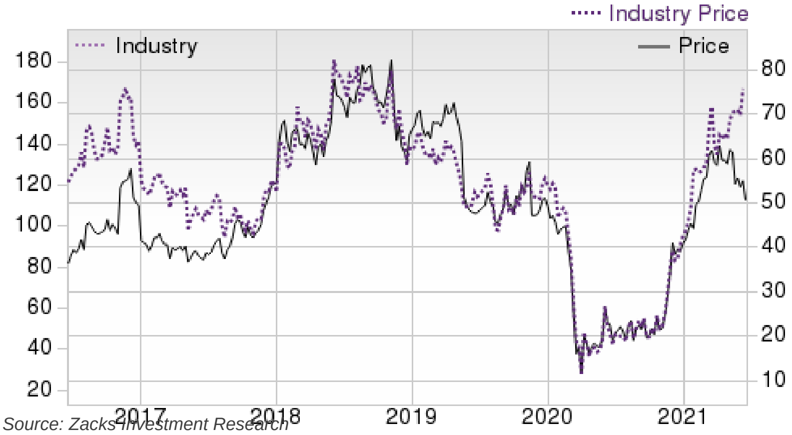
The table below shows summary valuation data for KSS

Valuation Multiples - KSS

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.47	0.46	1.34	4.71
	5-Year High	0.68	0.58	1.41	4.74
	5-Year Low	0.09	0.11	0.84	3.21
	5-Year Median	0.41	0.4	1.02	3.72
P/B TTM	Current	1.73	2.78	5.57	7.06
	5-Year High	2.51	3.08	6.49	7.08
	5-Year Low	0.33	0.34	3.8	3.84
	5-Year Median	1.5	1.9	5.17	5.02
EV/EBITDA F12M	Current	4.19	28.51	13.07	17.23
	5-Year High	7.61	28.51	13.18	18.83
	5-Year Low	1.63	3.04	8.83	13.04
	5-Year Median	4.45	5.49	11.32	15.92

As of 06/24/2021 Source: Zacks Investment Research

Industry Analysis **Zacks Industry Rank:** Top 2% (4 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Dillards, Inc. **(DDS)**	Outperform	1
Target Corporation **(TGT)**	Outperform	1
Big Lots, Inc. **(BIG)**	Neutral	3
BJs Wholesale Club Holdings, Inc. **(BJ)**	Neutral	3
Costco Wholesale Corporation **(COST)**	Neutral	2
Dollar Tree, Inc. **(DLTR)**	Neutral	3
Macys, Inc. **(M)**	Neutral	1
Walmart Inc. **(WMT)**	Neutral	2

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

Industry Comparison Industry: Retail - Regional Department Stores

	KSS	X Industry	S&P 500	DDS	M	TGT
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	1	1	1
VGM Score	A	-	-	B	C	D
Market Cap	8.83 B	5.17 B	29.99 B	3.87 B	6.07 B	118.65 B
# of Analysts	9	7	12	3	7	13
Dividend Yield	1.77%	0.33%	1.35%	0.33%	0.00%	1.13%
Value Score	A	-	-	B	B	C
Cash/Price	0.20	0.20	0.06	0.19	0.33	0.07
EV/EBITDA	17.32	17.32	17.12	34.07	-2.50	13.58
PEG F1	1.83	0.75	2.06	0.53	0.75	1.53
P/B	1.73	2.00	4.11	2.51	2.27	7.93
P/CF	12.95	17.14	17.50	26.05	20.90	16.58
P/E F1	14.67	12.82	21.14	12.82	9.03	20.28
P/S TTM	0.51	0.51	3.40	0.80	0.32	1.21
Earnings Yield	6.94%	7.80%	4.66%	7.80%	11.05%	4.93%
Debt/Equity	0.66	0.66	0.66	0.37	1.70	0.77
Cash Flow ($/share)	4.36	3.67	6.86	7.02	0.93	14.47
Growth Score	A	-	-	A	B	B
Historical EPS Growth (3-5 Years)	-4.68%	-4.68%	9.59%	7.63%	-30.81%	15.48%
Projected EPS Growth (F1/F0)	423.60%	274.93%	21.79%	622.45%	197.42%	25.53%
Current Cash Flow Growth	-59.19%	-56.22%	1.02%	-53.25%	-84.72%	22.82%
Historical Cash Flow Growth (3-5 Years)	-16.70%	-19.03%	7.28%	-21.36%	-33.97%	6.93%
Current Ratio	1.77	1.77	1.39	1.94	1.31	1.07
Debt/Capital	39.79%	39.79%	41.51%	26.90%	63.02%	43.48%
Net Margin	2.25%	2.25%	12.06%	5.13%	-1.36%	6.30%
Return on Equity	9.49%	9.49%	16.59%	16.69%	2.78%	45.70%
Sales/Assets	1.15	1.15	0.51	1.49	1.05	1.96
Projected Sales Growth (F1/F0)	17.20%	21.53%	9.56%	36.02%	25.85%	9.13%
Momentum Score	C	-	-	F	F	F
Daily Price Change	1.06%	1.06%	0.58%	2.14%	3.57%	1.07%
1-Week Price Change	-7.93%	-7.93%	1.06%	-8.85%	-8.94%	-1.03%
4-Week Price Change	-0.44%	3.07%	1.56%	37.35%	3.07%	5.48%
12-Week Price Change	-3.10%	8.57%	6.14%	97.72%	23.73%	19.49%
52-Week Price Change	183.78%	183.78%	38.35%	636.27%	199.23%	100.18%
20-Day Average Volume (Shares)	3,327,645	341,494	1,811,241	341,494	14,164,803	2,779,751
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	5.86%	0.00%	0.01%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	46.06%	214.61%	3.54%	427.88%	214.61%	37.72%

EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	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

Value Score	A
Growth Score	A
Momentum Score	C
VGM Score	A

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.

Disclosures

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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 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.