

L Brands, Inc. (LB)

\$56.75 (As of 03/01/21)

Price Target (6-12 Months): **\$65.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 03/01/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:B

Value: C

Growth: C

Momentum: C

Summary

Shares of L Brands have risen and outpaced the industry in the past three months. The stock also gained following the company's fourth-quarter fiscal 2020 results, wherein both the top and the bottom lines continued to rise year over year. Although sales missed the Zacks Consensus Estimate, earnings beat the same. Strength at Bath & Body Works segment and improved performance at Victoria's Secret drove the results. Notably, the company provided an upbeat earnings view for first-quarter fiscal 2021. Lower promotional activity, better merchandise assortment and growth in the direct channel have been helping the company navigate through the pandemic-hit environment. Markedly, the company remains on track with its profit improvement plan and is also working toward the separation of Bath & Body Works and Victoria's Secret units.

Price, Consensus & Surprise

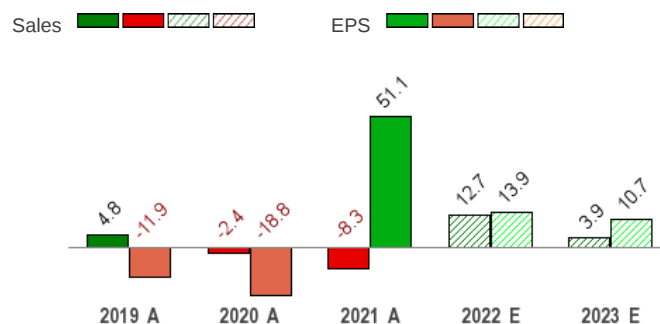


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$57.56 - \$8.00
20-Day Average Volume (Shares)	3,940,717
Market Cap	\$15.2 B
Year-To-Date Price Change	47.0%
Beta	1.71
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 28% (70 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.3%
Last Sales Surprise	-2.8%
EPS F1 Estimate 4-Week Change	22.7%
Expected Report Date	05/19/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023					13,877 E
2022	2,628 E	2,828 E	2,892 E	4,913 E	13,352 E
2021	1,654 A	2,319 A	3,055 A	4,818 A	11,847 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023					\$4.36 E
2022	\$0.43 E	\$0.54 E	\$0.51 E	\$2.67 E	\$3.94 E
2021	-\$0.99 A	\$0.25 A	\$1.13 A	\$3.03 A	\$3.46 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 03/01/2021. The report's text and the analyst-provided price target are as of 03/02/2021.

Overview

L Brands evolved from an apparel-based specialty retailer to a segment leader focused on women's intimate and other apparel, personal care, beauty and home fragrance products. But since past few years, the company has been struggling for a while due to sluggishness in the Victoria's Secret brand.

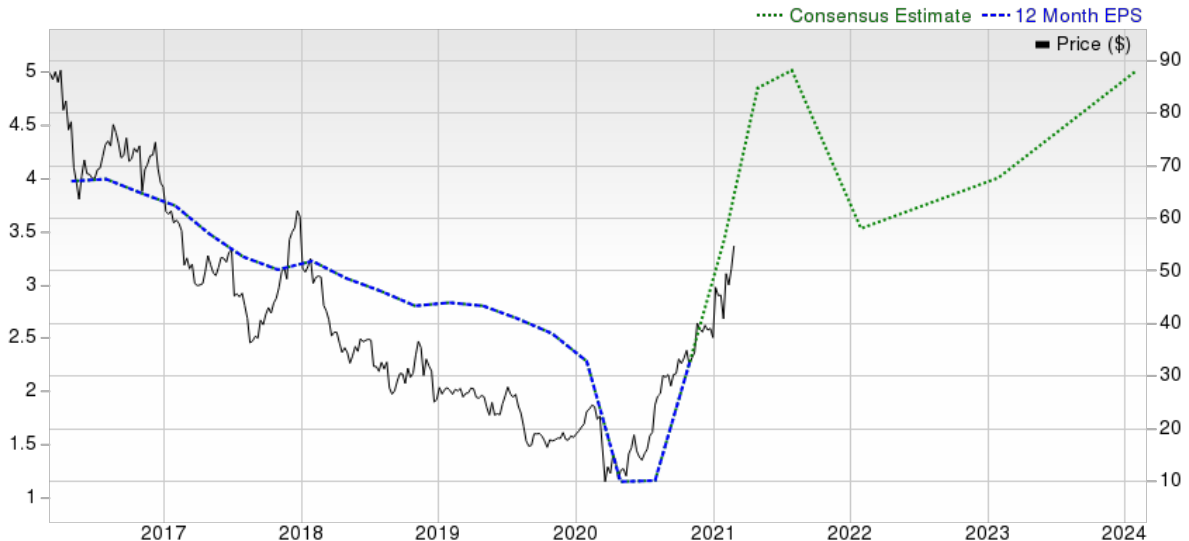
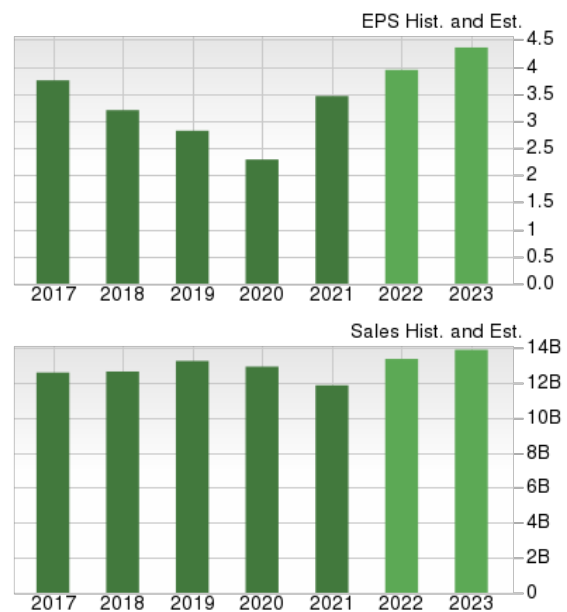
The company terminated the previously announced Victoria's Secret deal with Sycamore Partners. Notably, management is advancing with its plan to separate Bath & Body Works and Victoria's Secret businesses. By August 2021, management intends to complete the separation. All options are being evaluated, including a spin-off of the Victoria's Secret business into a public company or a private sale of the business.

The Columbus, OH-based company sells its merchandise through specialty retail stores in the e United States, Canada, the United Kingdom, Ireland and Greater China (China and Hong Kong), which are primarily mall-based, and through its websites, catalogue and other channels. The company conducts its business primarily through three reportable segments –

The Victoria's Secret segment (53% of FY19 Net Sales), Bath & Body Works segment (40% of Net Sales), Victoria's Secret and Bath & Body Works International segment (5% of Net Sales) includes company-owned and partner-operated outlets located outside of the U.S. and Canada. Other segment is 2% of Net Sales.

As of Jan 30, 2021, company-operated stores were 2,669, comprising 1,736 Bath & Body Works and 933 total Victoria's Secret stores. Total Victoria's Secret stores include 703 Victoria's Secret, 143 PINK, 23 Victoria's Secret Canada, two PINK Canada, 36 Victoria's Secret Beauty and Accessories, and 26 Victoria's Secret China.

Total partner-operated stores were 746, including 270 Bath & Body Works, 103 Victoria's Secret, 17 PINK and 195 Victoria's Secret Beauty & Accessories. Further, partner-operated stores comprised 143 and 18 Travel Retail stores of Victoria's Secret Beauty & Accessories and Bath & Body Works, respectively.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Impressive Stock Run:** Shares of L Brands have surged 48% in the past three months compared with the industry's growth of 31%. The company's decent fourth-quarter fiscal 2020 performance have also contributed to this bullish run. Strength at Bath & Body Works segment and improved performance at Victoria's Secret drove the quarterly results. Impressively, both the top and the bottom lines continued to increase year over year. L Brands delivered adjusted earnings of \$3.03 per share that surpassed the Zacks Consensus Estimate of \$2.99, marking the third straight beat. Remarkably, the quarterly earnings improved significantly from \$1.88 reported in the year-ago period. Net sales of \$4,817.9 million rose 2% on a year-over-year basis. Comparable sales (stores and direct business) grew 10% during the quarter against 2% decline in the year-ago period.
- ▲ **Decent Q1 View:** Management provided an upbeat earnings view for the first quarter of fiscal 2021. L Brands now envisions first-quarter earnings between 35 and 45 cents a share, which reflects a sharp increase from the year-ago period. We note that the company had reported a loss of 99 cents a share in the prior-year quarter as stores were closed in mid-March last year due to the coronavirus pandemic. The company forecast first-quarter sales to be roughly flat compared with first-quarter fiscal 2019 levels of \$2.6 billion. The company anticipates sales growth at Bath & Body Works segment. Management envisions gross margin rate to be up meaningfully from fiscal 2019 rate of 35.5%, driven by a significant increase in the merchandise margin rate and buying and occupancy expense leverage.
- ▲ **Go-Forward Strategy:** L Brands' sustained focus on cost containment, inventory management, merchandise and speed-to-market initiatives has kept it afloat in a competitive environment. Additionally, L Brands' operational efficiencies together with its new and innovative collections bode well. Furthermore, the company's focus on tapping international markets provides long-term growth opportunities. Notably, management is advancing with its plan to separate Bath & Body Works and Victoria's Secret businesses. By August 2021, management intends to complete the separation. All options are being evaluated, including a spin-off of the Victoria's Secret business into a public company or a private sale of the business. This will help simplify the company's organizational structure. Notably, management concluded the comprehensive review of its home office organizations in order to lower overhead expenses, and decentralize significant shared corporate and other functions to create standalone companies. This action along with steps to improve Victoria's Secret performance, contain costs and enhance liquidity will result in approximately \$400 million of annualized cost reductions. Of the targeted cost reduction plan, the company has accomplished roughly \$200 million in the back half of fiscal 2020, primarily at Victoria's Secret unit. It added that the remainder is anticipated to be realized in the first half of 2021.
- ▲ **Strength in Bath & Body Works Brand:** L Brands has been benefitting from strength of its Bath & Body Works. Total sales increased 22% year over year to \$2,718.2 million during the fourth quarter of fiscal 2020. While comparable sales (stores and direct business) surged 22%, comparable store sales increased 9%. Sales were robust across all merchandise categories. Two-thirds of dollar growth came from Home Fragrance and Body Care categories, with one-third of the growth coming from Soaps and Sanitizers. In the stores channel, sales were up 9% to \$1,903.3 million, while direct channel sales soared 74% to \$749.5 million. Sales at Bath & Body Works International advanced 16% to \$64.5 million. We are optimistic about Bath & Body Works' resumption of projects in fiscal 2021. We note that L Brands concluded 56 North American real estate projects in fiscal 2020. Of these 26 were new non-mall stores, one new top-tier mall store and 29 remodels. The company opened 14 new international stores and closed four in fiscal 2020. Additionally, it launched 16 new international digital sites. In fiscal 2021, L Brands is targeting roughly 50 new outlets, almost entirely off-mall North American stores.
- ▲ **Repositioning Business:** L Brands continues to revamp its business by improving store experience, localizing assortments and enhancing its direct business. We believe these measures will facilitate it to generate incremental sales and increase store transactions through higher conversion rate. Looking ahead, the company remains committed to improve performance by staying customer-focused, enriching assortments, and enhancing store and online experiences. We note that the company has relaunched its swimwear collection online and at selected stores. Markedly, the company witnessed robust online demand during fourth-quarter fiscal 2020. Sales in the Victoria's Secret direct business surged 33%, while digital penetration increased to 42% compared with 28% in the year-ago period. The company witnessed strength across its Lingerie, PINK and Beauty businesses. Direct channel sales at Bath & Body Works soared 74%.
- ▲ **Focus on Revamping the Brand:** L Brands has been taking every step to improve the performance of Victoria's Secret business, which involves inventory management, lowering of store selling costs, and negotiation on rent relief. Markedly, the company in co-operation with suppliers has been identifying opportunities to lower merchandise costs in order to increase merchandise margin rates at Victoria's Secret. During the final quarter of fiscal 2020, merchandise margin rate rose meaningfully owing to efficient inventory management, strong selling execution in stores and online, and positive response to merchandise assortments that allowed management to lower promotional activity. It comes as no surprise that store optimization plan is also on the cards. L Brands permanently closed 241 stores in North America in fiscal 2020. The company plans to close another 30-50 North America stores in fiscal 2021. In fiscal 2020, the company expanded its digital footprint with additional web and social commerce sites to a total of 15 across partner and company owned operations. In fiscal 2021, it will launch another 20 websites.

L Brands remains focused on managing inventory, optimizing capital expenditures and reducing overhead expenses. Better merchandise assortment and growth in the direct channel have been helping to navigate the tough environment.

Risks

- **Victoria's Secret Stores Sales Decline:** L Brands has been witnessing softness in its Victoria's Secret brand for quite some time now, owing to stiff competition and consumers' changing preferences. Investors have pointed out that wrong merchandising actions and the company's inability to keep up with its strong brand image have led to Victoria's Secret's failure. After declining 14% in the third quarter of fiscal 2020, total sales at Victoria's Secret segment fell 15% on a year-over-year basis during the fourth quarter. We note that sales in stores decreased 30% to \$1,162.3 million during the quarter. Sales at Victoria's Secret International declined 47% to \$106.3 million. Again, comparable sales (stores and direct business) decreased 3%, including comparable store sales decline of 18% due to soft traffic.
 - **Bath & Body Works May Witness Bumpier Ride Ahead:** With the vaccination drive gathering pace and the virus coming under control, consumers are likely to return to the old normal. L Brands may face tough year-over-year comparisons in sales and margins, as COVID-19 benefits are lapped. Industry experts cited that Bath & Body Works segment, which largely benefited from pandemic-induced demand for Soaps and Sanitizers, may witness bumpier ride ahead. Already the rate of increase in sales has decelerated on a sequential basis. After witnessing 55% surge in the third quarter of fiscal 2020, Bath & Body Works segment registered sales increase of 22% in the final quarter. Well, it is to be seen whether Bath & Body Works unit could retain new customers it acquired owing to COVID-driven behavior.
 - **Debt Analysis:** Although, L Brands cash and cash equivalents of \$3,902.5 million as of Jan 30, 2021 has increased from \$2,622.5 million as of Oct 31, 2020, it is insufficient to meet long-term debt. We note that the company's long-term debt of \$6,366.1 million has increased from \$5,486.9 million a year ago. Again, the company's interest expense and other rose 26.8% year over year during the fourth quarter of fiscal 2020. This followed an increase of 33% witnessed in the preceding quarter.
 - **Prone to Currency Fluctuations:** L Brands generates a portion of net sales outside the U.S. Due to exposure to international markets the company remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside of the U.S. An increase in price may have an adverse impact on the demand for the products.
 - **Fashion Obsolescence A Threat:** Fashion obsolescence remains the main concern for L Brands' business model, which involves a sustained focus on product and design innovation. The company's pioneering position may be compromised by delays in its product launches. The company operates in the highly competitive apparel segment, and faces stiff competition from chain specialty stores, department stores and discount retailers on attributes such as, marketing, design, price, service, quality, and brand image, which may weigh upon its results.
 - **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence — a key determinant of the economy's health — may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. This may adversely impact its growth and profitability. Due to the coronavirus outbreak, consumers have been curtailing their discretionary purchases.
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Last Earnings Report

L Brands Q4 Earnings Surpass Estimates, Comps Rise 10%

L Brands, Inc. registered decent fourth-quarter fiscal 2020 performance. Strength at Bath & Body Works segment and improved performance at Victoria's Secret drove the quarterly results. Although sales fell short of the Zacks Consensus Estimate, earnings surpassed the same. Impressively, both the top and the bottom lines continued to improve year over year. This prompted management to provide an upbeat earnings view for the first quarter of fiscal 2021.

Evidently, L Brands remains focused on managing inventory, optimizing capital expenditures and reducing overhead expenses. Markedly, the company in co-operation with suppliers has been identifying opportunities to lower merchandise costs. Reduced promotional activity, better merchandise assortment and growth in the direct channel have been helping the company navigate through the pandemic-hit environment.

The company also remains on track with its previously announced profit improvement plan and intends to generate approximately \$400 million in annual savings. Management informed that approximately half of the savings were realized in the back half of 2020, primarily at Victoria's Secret unit. It added that the remainder is anticipated to be realized in the first half of 2021.

Quarterly Discussion

L Brands delivered adjusted earnings of \$3.03 per share that surpassed the Zacks Consensus Estimate of \$2.99, marking the third straight beat. Remarkably, the quarterly earnings improved significantly from \$1.88 reported in the year-ago period. This year-over-year increase can be attributed to better-than-expected sales and margin rates at both Bath & Body Works and Victoria's Secret.

Net sales of \$4,817.9 million missed the Zacks Consensus Estimate of \$4,954.3 million but improved 2% on a year-over-year basis. Comparable sales (stores and direct business) rose 10% during the quarter against 2% decline in the year-ago period. Again, comparable sales (stores only) fell 3% compared with a decline of 4% in the prior-year quarter.

Adjusted gross profit increased 26% year over year to \$2,306.9 million during the quarter, while adjusted gross margin expanded 900 basis points to 47.9%. This expansion was driven by an improvement in the merchandise margin rate and buying and occupancy expense leverage. Adjusted operating income amounted to \$1,272.6 million, up considerably from \$806.7 million in the year-ago quarter. Notably, adjusted operating margin increased to 26.4% from 17.1% in the prior-year period.

Adjusted SG&A expenses rose 1% to \$1,034.3 million during the quarter. As a percentage of net sales, SG&A expenses contracted 20 basis points to 21.5%.

Segment Discussion

Bath & Body Works' total sales increased 22% year over year to \$2,718.2 million. While comparable sales (stores and direct business) surged 22%, comparable store sales increased 9%. Sales were robust across all merchandise categories. The company witnessed growth across categories, namely Home Fragrance, Body Care, Soaps and Sanitizers. In the stores channel, sales were up 9% to \$1,903.3 million, while direct channel sales soared 74% to \$749.5 million. Sales at Bath & Body Works International advanced 16% to \$64.5 million.

Adjusted operating income for the segment was \$913.7 million, up about 38% from the year-ago period. Notably, adjusted operating margin expanded 380 basis points to 33.6% due to the merchandise margin rate increase, and buying and occupancy expense leverage. The merchandise margin rate rose significantly during the quarter, thanks to favorable customer response to merchandise assortment that enabled management to pull back promotional activity.

Total sales for **Victoria's Secret** declined 15% to \$2,099.7 million. Comparable sales (stores and direct business) decreased 3%, including comparable store sales decline of 18% due to soft traffic. Notably, sales in the direct business surged 33% to \$831.1 million, while digital penetration increased to 42% compared with 28% in the year-ago period. The company witnessed strength across its Lingerie, PINK and Beauty businesses. Moreover, merchandise margin rate rose meaningfully in the quarter owing to efficient inventory management, strong selling execution in stores and online, and positive response to merchandise assortments that allowed management to lower promotional activity. However, we note that sales in stores fell 30% to \$1,162.3 million during the quarter. Sales at Victoria's Secret International declined 47% to \$106.3 million.

Adjusted operating income for the segment came in at \$403.4 million, up sharply from adjusted operating income of \$193.6 million reported in the year-ago period. Remarkably, adjusted operating margin surged to 19.2% from 7.8% in the prior-year period.

Store Update

As of Jan 30, 2021, company-operated stores were 2,669, comprising 1,736 Bath & Body Works and 933 total Victoria's Secret stores. Total Victoria's Secret stores include 703 Victoria's Secret, 143 PINK, 23 Victoria's Secret Canada, two PINK Canada, 36 Victoria's Secret Beauty and Accessories, and 26 Victoria's Secret China.

Total partner-operated stores were 746, including 270 Bath & Body Works, 103 Victoria's Secret, 17 PINK and 195 Victoria's Secret Beauty & Accessories. Further, partner-operated stores comprised 143 and 18 Travel Retail stores of Victoria's Secret Beauty & Accessories and Bath & Body Works, respectively.

With respect to Bath & Body Works segment, L Brands concluded 56 North American real estate projects in fiscal 2020. Of these 26 were new non-mall stores, one new top-tier mall store and 29 remodels. The company shuttered 30 stores, of which 26 were mall-based locations. We note

Quarter Ending	01/2021
Report Date	Feb 24, 2021
Sales Surprise	-2.75%
EPS Surprise	1.34%
Quarterly EPS	3.03
Annual EPS (TTM)	3.42

that the company opened 14 new international stores and closed four in fiscal 2020. Additionally, it launched 16 new international digital sites. In fiscal 2021, L Brands is targeting roughly 50 new outlets, almost entirely off-mall North American stores. It plans to close 20-40 stores, primarily mall-based locations. The company expects its partners to open another 50-70 new international locations.

Talking about Victoria's Secret division, L Brands permanently closed 241 stores in North America in fiscal 2020. The company plans to close another 30-50 North America stores in fiscal 2021. In fiscal 2020, the company expanded its digital footprint with additional web and social commerce sites to a total of 15 across partner and company owned operations. In fiscal 2021, it will launch another 20 websites.

Other Financial Details

L Brands ended fourth quarter with cash and cash equivalents of \$3,902.5 million, up from \$1,498.7 million at the end of the prior-year quarter. Long-term debt increased to \$6,366.1 million from \$5,486.9 million a year ago. Total inventories declined 1% to \$1,272.5 million. Shareholders' deficit was \$658.7 million. Management incurred capital expenditures of \$28.2 million in the quarter under review. For fiscal 2021, the company is estimating capital expenditures in the range \$350-\$400 million.

Outlook

Management is advancing with its plan to separate Bath & Body Works and Victoria's Secret businesses. It is targeting to complete the same in August. The company said "Over the next 6 months, we will continue to work toward the separation of the two businesses, proceeding down a dual track to prepare for either a spin-off or a sale." Given the impending separation and continued uncertainty due to the pandemic, the company did not provide fiscal 2021 guidance. However, the company issued first-quarter view.

L Brands now envisions first-quarter fiscal 2021 earnings between 35 and 45 cents a share, which reflects a sharp increase from the year-ago period. We note that the company had reported a loss of 99 cents a share in the prior-year quarter as stores were closed in mid-March last year due to the coronavirus pandemic.

The company anticipates first-quarter sales to be roughly flat compared with first-quarter fiscal 2019 levels of \$2.6 billion. This suggests that sales growth at Bath & Body Works segment would be offset by a decline at Victoria's Secret on account of permanent store closures. Management envisions gross margin rate to be up meaningfully, driven by a significant increase in the merchandise margin rate and buying and occupancy expense leverage.

Valuation

L Brands shares are up 52.6% in the year-to-date period and 157% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 21.9% but the Zacks Retail-Wholesale sector is down 1.6% in the year-to-date period. Over the past year, the sub-industry and the sector are up 100.5% and 39.2%, respectively.

The S&P 500 index is up 2.1% in the year-to-date period and 31.4% in the past year.

The stock is currently trading at 15.92X forward 12-month earnings, which compares to 28.85X for the Zacks sub-industry, 29.61X for the Zacks sector and 22.01X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.86X and as low as 4.57X, with a 5-year median of 13.74X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$65 price target reflects 18.31X forward 12-month earnings.

The table below shows summary valuation data for LB

Valuation Multiples - LB					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.92	28.85	29.61	22.01
	5-Year High	36.86	89.35	34.11	23.8
	5-Year Low	4.57	8.38	19.1	15.3
	5-Year Median	13.74	14.45	23.74	17.87
P/S F12M	Current	1.21	1.28	1.31	4.44
	5-Year High	1.96	1.28	1.34	4.44
	5-Year Low	0.2	0.34	0.84	3.21
	5-Year Median	0.78	0.83	1.02	3.68
EV/EBITDA TTM	Current	6.61	30.07	17.94	16.95
	5-Year High	11.33	30.5	20.81	17.54
	5-Year Low	2.56	3.27	11.17	9.63
	5-Year Median	6.63	6.42	13.21	13.29

As of 03/01/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 28% (70 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Abercrombie & Fitch Company (ANF)	Outperform	1
Capri Holdings Limited (CPRI)	Outperform	3
Tapestry, Inc. (TPR)	Outperform	2
American Eagle Outfitters, Inc. (AEO)	Neutral	3
Foot Locker, Inc. (FL)	Neutral	3
Guess, Inc. (GES)	Neutral	3
The Gap, Inc. (GPS)	Neutral	3
Urban Outfitters, Inc. (URBN)	Neutral	4

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

Industry Comparison Industry: Retail - Apparel And Shoes				Industry Peers		
	LB	X Industry	S&P 500	ANF	FL	GPS
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	1	3	3
VGM Score	B	-	-	B	A	C
Market Cap	15.20 B	1.08 B	27.84 B	1.71 B	5.01 B	9.33 B
# of Analysts	11	4	13	7	11	8
Dividend Yield	0.00%	0.00%	1.43%	0.00%	1.25%	0.00%
Value Score	C	-	-	B	A	B
Cash/Price	0.17	0.16	0.06	0.48	0.34	0.28
EV/EBITDA	13.03	5.19	15.61	5.15	4.36	7.87
PEG F1	1.24	2.29	2.33	1.35	4.03	1.62
P/B	NA	2.93	3.78	1.99	1.81	3.94
P/CF	8.07	8.50	15.65	7.82	11.40	7.34
P/E F1	16.08	24.10	20.41	24.29	10.39	19.38
P/S TTM	1.28	0.66	3.10	0.54	0.66	0.66
Earnings Yield	6.46%	4.04%	4.82%	4.13%	9.63%	5.17%
Debt/Equity	-4.12	0.15	0.67	0.40	0.00	0.93
Cash Flow (\$/share)	7.04	1.68	6.78	3.53	4.53	3.49
Growth Score	C	-	-	C	C	D
Historical EPS Growth (3-5 Years)	-15.19%	-5.27%	9.32%	11.89%	-8.06%	1.34%
Projected EPS Growth (F1/F0)	1.92%	71.05%	14.54%	199.82%	64.74%	158.71%
Current Cash Flow Growth	45.86%	-4.18%	0.44%	-6.25%	-34.17%	-14.41%
Historical Cash Flow Growth (3-5 Years)	6.20%	1.72%	7.37%	-5.89%	-8.94%	-5.36%
Current Ratio	1.48	1.53	1.39	1.60	1.73	1.44
Debt/Capital	NA%	23.11%	41.42%	28.57%	0.29%	48.29%
Net Margin	7.13%	-5.04%	10.59%	-3.55%	4.44%	-7.71%
Return on Equity	-54.89%	-1.42%	14.85%	-6.61%	11.67%	-24.81%
Sales/Assets	1.13	1.02	0.51	0.95	1.09	1.03
Projected Sales Growth (F1/F0)	10.07%	11.76%	6.76%	11.35%	6.39%	15.08%
Momentum Score	C	-	-	D	A	B
Daily Price Change	3.82%	1.45%	2.18%	0.91%	7.40%	2.57%
1-Week Price Change	8.60%	0.00%	-1.51%	1.67%	-7.27%	3.31%
4-Week Price Change	35.57%	11.04%	5.45%	20.03%	15.60%	27.06%
12-Week Price Change	41.03%	25.46%	6.76%	25.09%	24.76%	20.31%
52-Week Price Change	155.06%	34.22%	20.60%	113.94%	53.40%	82.39%
20-Day Average Volume (Shares)	3,940,717	314,307	1,979,313	1,124,843	1,817,958	5,735,321
EPS F1 Estimate 1-Week Change	17.03%	0.00%	0.00%	0.20%	2.71%	4.58%
EPS F1 Estimate 4-Week Change	22.69%	0.00%	0.30%	0.40%	7.32%	4.50%
EPS F1 Estimate 12-Week Change	40.17%	4.40%	2.10%	10.82%	9.40%	-0.49%
EPS Q1 Estimate Monthly Change	1,598.00%	0.00%	0.00%	0.00%	28.92%	56.30%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

Disclosures

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Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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