

## L Brands, Inc. (LB)

**\$33.13** (As of 10/02/20)

Price Target (6-12 Months): **\$35.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 07/24/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: F

## Summary

Shares of L Brands have risen in the past three months. The stock gained following the company's update on its future strategy, which comprises annualized cost reductions of \$400 million. Management remains committed toward making Bath & Body Works and Victoria's Secret, as standalone companies. The company is taking every step to improve the performance of Victoria's Secret. Notably, L Brands posted better-than-expected second-quarter fiscal 2020 results. Sturdy performance at Bath & Body Works coupled with strength in the direct business at Victoria's Secret drove the results. However, the top line fell due to store closures at some point during the quarter. Looking ahead management expects direct business to remain strong but holds a cautious view for the holiday season and envisions significant expense pressure.

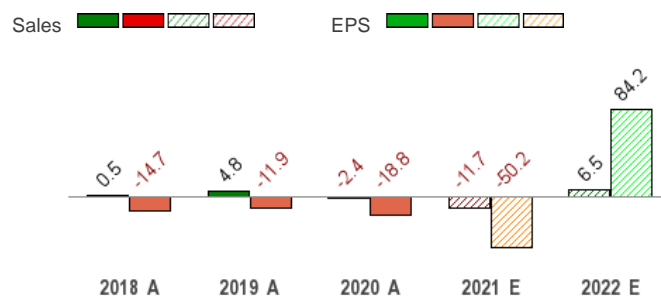
## Price, Consensus & Surprise



## Data Overview

52-Week High-Low	<b>\$33.48 - \$8.00</b>
20-Day Average Volume (Shares)	<b>4,387,064</b>
Market Cap	<b>\$9.2 B</b>
Year-To-Date Price Change	<b>82.8%</b>
Beta	<b>1.61</b>
Dividend / Dividend Yield	<b>\$0.00 / 0.0%</b>
Industry	<b>Retail - Apparel and Shoes</b>
Zacks Industry Rank	<b>Top 50% (125 out of 251)</b>

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



Last EPS Surprise	<b>173.5%</b>
Last Sales Surprise	<b>2.1%</b>
EPS F1 Estimate 4-Week Change	<b>0.3%</b>
Expected Report Date	<b>11/18/2020</b>
Earnings ESP	<b>4,700.0%</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,014 E	2,500 E	2,416 E	4,379 E	12,139 E
2021	1,654 A	2,319 A	2,640 E	4,702 E	11,397 E
2020	2,629 A	2,902 A	2,677 A	4,707 A	12,914 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$0.23 E	\$0.31 E	-\$0.13 E	\$1.55 E	\$2.10 E
2021	-\$0.99 A	\$0.25 A	\$0.01 E	\$1.93 E	\$1.14 E
2020	\$0.14 A	\$0.24 A	\$0.02 A	\$1.88 A	\$2.29 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>28.6</b>
P/E F1	<b>29.1</b>
PEG F1	<b>2.6</b>
P/S TTM	<b>0.8</b>

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/02/2020. The reports text is as of 10/05/2020.

## 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.

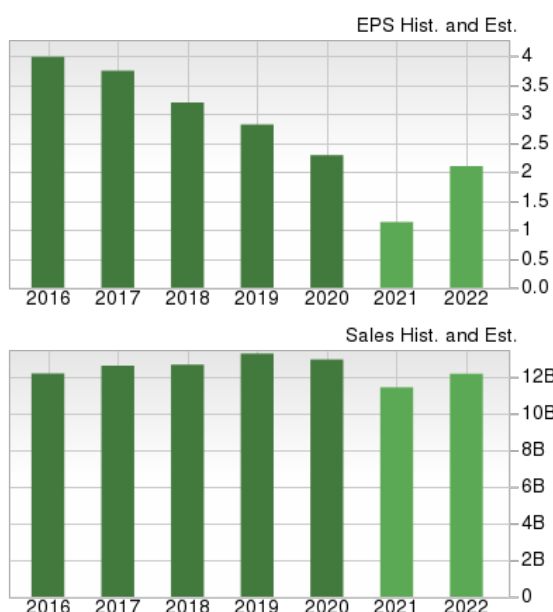
Recently, the company terminated the previously announced Victoria's Secret deal with Sycamore Partners. The company intends to make Bath & Body Works chain a "pure-play public company" and Victoria's Secret, "a separate, standalone company." This will simplify the company's organizational structure and help focus on Bath & Body Works, one of the leading specialty retailers of body care, home fragrance products, soaps and sanitizers.

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 Aug 1, 2020, company-owned stores were 2,709, including 884 Victoria's Secret stores, 1,735 Bath & Body Works, 21 Victoria's Secret U.K./Ireland, five PINK U.K., 39 Victoria's Secret Beauty and Accessories and 25 Victoria's Secret China.

Total non-company-owned stores were 721, including 200 Victoria's Secret Beauty & Accessories, 75 Victoria's Secret, 13 Pink and 267 Bath & Body Works stores. Further, non company-owned stores comprised 149 and 17 Travel Retail stores of Victoria's Secret Beauty & Accessories and Bath & Body Works, respectively.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ **Go-Forward Strategy:** We believe that 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 remains committed to make Bath & Body Works chain a "pure-play public company" and Victoria's Secret, "a separate, standalone company." 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 resulted in a reduction of about 15% of its corporate staff or roughly 850 employees. 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 anticipates to accomplish roughly \$175 million in the remainder of fiscal 2020. Shares of L Brands have more than doubled in the past three months compared with the industry's gain of 28.7%.
- ▲ **Better-Than-Expected Q2 Results:** L Brands reported stronger-than-anticipated second-quarter fiscal 2020 results. We note that sturdy performance at Bath & Body Works coupled with strength in the direct business at Victoria's Secret segment drove the results. The company reported adjusted earnings of 25 cents a share — against the Zacks Consensus Estimate of a loss of 34 cents — that improved by a penny from the year-ago period owing to lower general, administrative and store operating expenses. Net sales of \$2,319.5 million came ahead of the Zacks Consensus Estimate of \$2,271 million, following a miss in the preceding four quarters. Comparable sales (stores and direct business) rose 63% during the quarter against 1% decline in the year-ago period. Again, comparable sales (stores only) jumped 33% against 4% fall in the prior-year quarter.
- ▲ **Strength in Bath & Body Works Brand:** L Brands has been benefitting from strength of its Bath & Body Works. The segment's total sales increased 13% during the second quarter of fiscal 2020. While comparable sales (stores and direct business) soared 123%, comparable store sales increased 87%. We note that "pent-up demand" for products following store closures in March and April, higher demand for soaps and sanitizers, government stimulus checks that supported consumer spending and increased traffic in locations opened during the quarter drove comparable store sales performance. Direct channel sales improved 191%. The company also witnessed strong comp performance in Body Care and Home Fragrance. Additionally, the Bath & Body Works merchandise margin rate rose significantly during the quarter owing to stronger product margin rate.
- ▲ **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. The company witnessed robust online demand during second-quarter fiscal 2020. Notably, sales in the Victoria's Secret direct business surged 65%, reflecting remarkable growth in the Lingerie, PINK and Beauty businesses. Direct channel sales at Bath & Body Works soared 191%.
- ▲ **Focus on Revamping the Brand:** L Brands is taking every step to improve the performance of Victoria's Secret business, which involves inventory management, lowering of store selling costs through changes in the management structure and labor model, and negotiation for ongoing rent relief. It comes as no surprise that store optimization plan is also on the cards. Year to date, the company has shuttered 210 Victoria's Secret stores in the United States and Canada. Notably, it remains on track to close approximately 250 stores in the current fiscal year. 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. Due to this initiative, Spring inventory receipts for Victoria's Secret were already down about 45% on a year-over-year basis. For the Fall, the company expects receipts to be down approximately 50% compared with the last year. In recent developments, management has announced a partnership with Next PLC for the Victoria's Secret unit in the United Kingdom and Ireland ("Victoria's Secret U.K."). The agreement defines the joint venture between Victoria's Secret U.K. and Next PLC, wherein the latter will buy a 51% stake in the Victoria's Secret U.K. business, which is presently in administration. This leaves L Brands with the balance 49% stake. Additionally, the company worked to reduce operating losses in the company-owned businesses in the U.K. and China.
- ▲ **Fall Season 2020 Outlook:** In the second half of the fiscal year, L Brands will remain focused on disciplined expense and inventory management, and providing compelling products. Additionally, management expects direct business to remain strong. However, it holds a cautious outlook for the holiday season. The company informed that historically typical holiday volumes are about three times larger per week than the average week in the second quarter. Nonetheless, management is working on plans to spread holiday volume out over a broader time period and to pull some volume out of the fourth quarter and into the third.

L Brands will remain focused on disciplined expense and inventory management, and providing compelling products. Additionally, management expects direct business to remain strong.

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## Reasons To Sell:

- ▼ **Top Line Continues to Struggle:** After declining 37.1% in the first quarter of fiscal 2020, net sales fell 20% on a year-over-year basis during the second quarter. The decline can be attributed to the closure of stores during periods of time throughout the quarter due to COVID-19. While Bath & Body Works stores were closed for about half of the quarter, Victoria's Secret stores were closed for roughly 70% of the period. We note that store sales at Victoria's Secret and Bath & Body Works brands fell 70% and 23%, respectively, during the quarter. Further, L Brands' International sales were down 48% year over year. The sharp fall can primarily be attributed to the significant number of temporary store closures.
- ▼ **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 45.6% in the first quarter of fiscal 2020, total sales at Victoria's Secret segment declined 39% on a year-over-year basis during the second quarter. While store sales fell 70%, comparable store sales declined 10% during the quarter under review. Additionally, adjusted operating loss for the segment was \$38.9 million against adjusted operating income of \$16.6 million in the year-ago period.
- ▼ **Near term Headwinds:** Management holds a cautious outlook for the holiday season, thanks to traffic constraints in stores due to social distancing measures and capacity restraints in direct channel distribution centers. L Brands informed that historically typical holiday volumes are about three times larger per week than the average week in the second quarter. Further, the company envisions significant expense pressure owing to higher store expenses, including payroll and supplies, as a result of the new labor model on account of social distancing measures, wage rate inflation in the domestic supply chain, and increased direct channel fulfillment and shipping costs.
- ▼ **Debt Analysis:** L Brands' long-term debt increased to \$6,268.6 million as of Aug 1, 2020 from \$5,034 million as of May 2, 2020 and \$5,475.4 million as of Aug 3, 2019. On May 6, Moody's downgraded all ratings of L Brands, including its corporate family rating to B2 from B1 and its probability of default rating to B2-PD from B1-PD, with a negative outlook. The rating agency also downgraded the existing senior unsecured guaranteed notes to B2 from B1 and the senior unsecured unguaranteed notes to Caa1 from B3. The rating agency notified that failure on the part of the company to offload Victoria's Secret business was the reason behind its negative outlook. Had the deal been materialized, it would have provided some cushion to the company's financial position.
- ▼ **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. Also, uncertainty surrounding government stimulus and a contentious November election may impact consumer spending activity.

Management holds a cautious outlook for the holiday season, thanks to traffic constraints in stores due to social distancing measures and capacity restraints in direct channel distribution centers.

## Last Earnings Report

### L Brands Q2 Earnings Surpass Estimates

L Brands, Inc. reported stronger-than-anticipated second-quarter fiscal 2020 results. Sturdy performance at Bath & Body Works coupled with strength in the direct business at Victoria's Secret segment drove the results. However, store closures at some point during the quarter under review owing to the pandemic did hurt the company's business. Consequently, the top line declined from the year-ago period. Nonetheless, the bottom line improved year over year.

Without a doubt, L Brands remains focused on cost containment, inventory management and curbing capital expenditures. 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. Also, management remains committed toward making Bath & Body Works chain a "pure-play public company" and Victoria's Secret, "a separate, standalone company."

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 resulted in a reduction of about 15% of its corporate staff or roughly 850 employees. We note that L Brands plans to lower annual costs by approximately \$400 million. Of the targeted cost reduction plan, the company anticipates to accomplish roughly \$175 million in the remainder of fiscal 2020.

### Detailed Quarterly Discussion

L Brands reported adjusted earnings of 25 cents a share against the Zacks Consensus Estimate of a loss of 34 cents. Notably, the bottom line improved by a penny from the year-ago period owing to lower general, administrative and store operating expenses.

Net sales of \$2,319.5 million came ahead of the Zacks Consensus Estimate of \$2,271 million, following a miss in the preceding four quarters. However, the top line fell 20% on a year-over-year basis. The decline can be attributed to the closure of stores during periods of time throughout the quarter due to COVID-19. While Bath & Body Works stores were closed for about half of the quarter, Victoria's Secret stores were closed for roughly 70% of the period.

Comparable sales (stores and direct business) rose 63% during the quarter against 1% decline in the year-ago period. Again, comparable sales (stores only) jumped 33% against 4% fall in the prior-year quarter.

Total sales for **Victoria's Secret** declined 39% to \$977.5 million. Comparable sales (stores and direct business) increased 28%, while comparable store sales declined 10%. Notably, sales in the direct business surged 65% to \$613.9 million, reflecting remarkable growth in the Lingerie, PINK and Beauty businesses. Moreover, the Victoria's Secret merchandise margin rate rose meaningfully in the quarter owing to pullback in promotional activity and better pricing during semi-annual sale. However, we note that store sales fell 70% to \$363.6 million during the quarter. Additionally, adjusted operating loss for the segment was \$38.9 million against adjusted operating income of \$16.6 million in the year-ago period.

**Bath & Body Works'** total sales increased 13% to \$1,196.7 million. While comparable sales (stores and direct business) soared 123%, comparable store sales increased 87%. We note that "pent-up demand" for products following store closures in March and April, higher demand for soaps and sanitizers, government stimulus checks that supported consumer spending and increased traffic in locations opened during the quarter drove comparable store sales performance. Although store sales fell 23% to \$678.1 million during the quarter, direct channel sales improved by 191% to \$518.6 million. The company also witnessed strong comp performance in Body Care and Home Fragrance. Additionally, the Bath & Body Works merchandise margin rate rose significantly during the quarter owing to stronger product margin rate. Adjusted operating income for the segment came in at \$330.9 million, up sharply from \$180.2 million reported in the year-ago period.

We note that L Brands' **International** sales were \$80 million in the reported quarter, down 48% year over year. The sharp fall can primarily be attributed to the significant number of temporary store closures. Nonetheless, revenues improved slightly for Bath & Body Works international despite closure of the international franchised stores throughout the quarter. Strong in-store sales after reopening and robust online demand aided revenue growth.

Although L Brands' adjusted gross profit declined 20% year over year to \$790.4 million during the quarter, we note that gross margin expanded 20 bps to 34.1%. This expansion was driven by a significant improvement in the merchandise margin rate, partly offset by buying and occupancy expense deleverage. Adjusted operating income grew 18% to \$205.7 million, while operating margin increased 290 bps to 8.9%.

Adjusted SG&A expenses fell 28% to \$584.7 million during the quarter. As a percentage of net sales, SG&A expenses contracted 260 bps to 25.2% owing to lower store selling costs.

### Store Update

As of Aug 1, 2020, company-owned stores were 2,709, including 884 Victoria's Secret stores, 1,735 Bath & Body Works, 21 Victoria's Secret U.K./Ireland, five PINK U.K., 39 Victoria's Secret Beauty and Accessories and 25 Victoria's Secret China. Total non-company-owned stores were 721, including 200 Victoria's Secret Beauty & Accessories, 75 Victoria's Secret, 13 Pink and 267 Bath & Body Works stores. Further, non company-owned stores comprised 149 and 17 Travel Retail stores of Victoria's Secret Beauty & Accessories and Bath & Body Works, respectively.

With respect to Bath & Body Works segment, L Brands expects roughly 55 real estate projects (new stores and remodels) for fiscal 2020. The company plans to open about 27 new stores and is also evaluating all locations. So far in the year, the company has permanently closed 14

Quarter Ending	07/2020
Report Date	Aug 19, 2020
Sales Surprise	2.13%
EPS Surprise	173.53%
Quarterly EPS	0.25
Annual EPS (TTM)	1.16

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outlets, and anticipates approximately 30-50 closures for the fiscal year. Year to date, the company has shuttered 210 Victoria's Secret stores in the United States and Canada. Notably, it remains on track to close approximately 250 stores in the current fiscal year.

### **Other Financial Details**

L Brands ended second quarter with cash and cash equivalents of \$2,611.4 million, up from \$852.5 million at the end of the prior-year quarter. Long-term debt increased to \$6,268.6 million from \$5,475.4 million a year ago. Shareholders' deficit was \$1,903.5 million. Management incurred capital expenditures of \$68.8 million in the quarter under review. The company generated free cash flow of approximately \$560 million during the quarter under review.

The company converted revolving credit facility to an asset-backed loan facility and issued \$1.25 billion in new notes. The company intends to use a portion of the proceeds to retire the \$450 million maturity due in April 2021. The company has not drawn any amount under the asset-backed loan facility.

### **Outlook**

In the second half of the fiscal year, L Brands will remain focused on disciplined expense and inventory management, and providing compelling products. Additionally, management expects direct business to remain strong. However, it holds a cautious outlook for the holiday season, thanks to traffic constraints in stores due to social distancing measures and capacity restraints in direct channel distribution centers. The company informed that historically typical holiday volumes are about three times larger per week than the average week in the second quarter. Nonetheless, management is working on plans to spread holiday volume out over a broader time period and to pull some volume out of the fourth quarter and into the third.

Further, L Brands envisions significant expense pressure owing to higher store expenses, including payroll and supplies, as a result of the new labor model on account of social distancing measures, wage rate inflation in the domestic supply chain, and increased direct channel fulfillment and shipping costs.

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## Recent News

### L Brands Prices Upsized \$1 Billion Offering of 6.625% Senior Notes Due 2030 – Sep 16, 2020

L Brands stated that its earlier announced offering to sell \$750 million aggregate principal amount of senior notes due 2030 was upsized to an aggregate principal amount of \$1 billion and priced with a coupon of 6.625%. The company intends to use the net proceeds from the offering of the 2030 Notes to fund tender offers to purchase for cash certain of its outstanding (i) 5.625% Senior Notes due 2022 (ii) 5.625% Senior Notes due 2023 (iii) 7.60% Senior Notes due 2037 and (iv) 6.95% Exchange Debentures due 2033 (the "2033 Notes," and together with the 2022 Notes, the 2023 Notes and the 2037 Notes, the "Waterfall Notes") up to an aggregate principal amount that will not result in an aggregate purchase price (excluding accrued and unpaid interest) that exceeds (i) \$1 billion with respect to the Waterfall Notes in the aggregate and (ii) \$50 million with respect to the 2037 Notes and the 2033 Notes in the aggregate.

### L Brands to Sell 51% of Victoria's Secret U.K. Arm to Next – Sep 14, 2020

L Brands has announced a partnership with the British clothing company Next PLC for the Victoria's Secret unit in the United Kingdom and Ireland ("Victoria's Secret U.K."). The agreement defines the joint venture between Victoria's Secret U.K. and Next PLC, wherein the latter will buy a 51% stake in the Victoria's Secret U.K. business, which is presently in administration. This leaves L Brands with the balance 49% stake.

## Valuation

L Brands shares are up 82.8% in the year-to-date period and 79.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 10.2% but the Zacks Retail-Wholesale sector is up 31.8% in the year-to-date period. Over the past year, the sub-industry is down 3.5% but the sector is up 41.7%.

The S&P 500 index is up 4% in the year-to-date period and 14.1% in the past year.

The stock is currently trading at 18.49X forward 12-month earnings, which compares to 30.04X for the Zacks sub-industry, 31.66X for the Zacks sector and 21.89X 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 13.92X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$35 price target reflects 19.6X 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	18.49	30.04	31.66	21.89
	5-Year High	36.86	88.45	34	23.46
	5-Year Low	4.57	8.27	19.09	15.26
	5-Year Median	13.92	14.36	23.57	17.67
P/S F12M	Current	0.77	0.66	1.29	4.02
	5-Year High	2.32	1.1	1.32	4.3
	5-Year Low	0.2	0.33	0.82	3.18
	5-Year Median	0.81	0.82	1.01	3.67
EV/EBITDA TTM	Current	6.51	9.79	19.49	14.51
	5-Year High	13.92	9.79	20.71	15.65
	5-Year Low	2.56	3.25	11.15	9.53
	5-Year Median	7.09	6.31	12.97	13.06

As of 10/02/2020

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 50% (125 out of 251)



## Top Peers

Company (Ticker)	Rec	Rank
Guess, Inc. (GES)	Outperform	2
Vera Bradley, Inc. (VRA)	Outperform	1
American Eagle Outfitters, Inc. (AEO)	Neutral	3
AbercrombieFitch Company (ANF)	Neutral	3
The Gap, Inc. (GPS)	Neutral	3
The Childrens Place, Inc. (PLCE)	Neutral	4
Urban Outfitters, Inc. (URBN)	Neutral	3
Zumiez Inc. (ZUMZ)	Neutral	1

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	GPS	URBN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	A	B
Market Cap	9.21 B	576.91 M	23.15 B	948.07 M	6.86 B	2.22 B
# of Analysts	11	4	14	9	7	9
Dividend Yield	0.00%	0.00%	1.66%	0.00%	0.00%	0.00%
Value Score	B	-	-	A	B	B
Cash/Price	0.31	0.35	0.08	0.84	0.36	0.33
EV/EBITDA	8.55	3.54	13.23	2.15	5.90	4.57
PEG F1	2.60	2.30	2.82	NA	NA	NA
P/B	NA	1.89	3.31	1.17	3.04	1.64
P/CF	4.71	5.08	12.85	4.30	5.27	6.86
P/E F1	28.61	30.74	21.20	NA	NA	NA
P/S TTM	0.81	0.44	2.51	0.29	0.49	0.62
Earnings Yield	3.44%	0.56%	4.49%	-12.63%	-11.72%	-0.66%
Debt/Equity	-3.29	0.30	0.70	0.42	0.98	0.09
Cash Flow (\$/share)	7.04	1.88	6.92	3.53	3.49	3.30
Growth Score	A	-	-	A	B	B
Historical EPS Growth (3-5 Years)	-18.15%	-3.56%	10.45%	5.80%	0.00%	-17.81%
Projected EPS Growth (F1/F0)	-50.41%	-70.95%	-2.97%	-362.41%	-209.36%	-107.39%
Current Cash Flow Growth	45.86%	-2.23%	5.47%	-6.25%	-14.41%	-22.87%
Historical Cash Flow Growth (3-5 Years)	6.20%	1.64%	8.52%	-5.89%	-5.36%	-2.66%
Current Ratio	1.31	1.54	1.35	1.50	1.46	1.65
Debt/Capital	NA%	29.67%	42.68%	29.67%	49.54%	8.16%
Net Margin	-6.96%	-5.04%	10.32%	-4.61%	-7.39%	-0.81%
Return on Equity	-19.91%	-0.22%	14.77%	-10.04%	-18.48%	0.78%
Sales/Assets	1.11	1.06	0.51	0.95	1.04	1.06
Projected Sales Growth (F1/F0)	-11.75%	-8.05%	-0.89%	-17.06%	-17.25%	-12.96%
Momentum Score	F	-	-	B	C	C
Daily Price Change	-0.27%	0.16%	0.46%	3.75%	2.69%	4.47%
1-Week Price Change	0.56%	-5.59%	-2.32%	-4.32%	-2.98%	-6.80%
4-Week Price Change	11.85%	2.07%	-1.82%	19.78%	3.79%	-4.95%
12-Week Price Change	113.47%	12.42%	7.71%	53.54%	55.91%	35.26%
52-Week Price Change	78.50%	-29.05%	3.04%	3.26%	11.14%	-19.67%
20-Day Average Volume (Shares)	4,387,064	323,736	2,142,397	2,185,759	7,500,692	1,917,732
EPS F1 Estimate 1-Week Change	-2.73%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.26%	0.00%	0.00%	-0.71%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	2,019.08%	10.00%	3.87%	31.44%	13.01%	92.18%
EPS Q1 Estimate Monthly Change	-36.84%	-0.41%	0.00%	-36.51%	0.00%	-0.82%

Source: Zacks Investment Research

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## Zacks Stock Rating System

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

### Zacks Recommendation

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

### Zacks Rank

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

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### Zacks Style Scores

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

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

Value Score	<b>B</b>
Growth Score	<b>A</b>
Momentum Score	<b>F</b>
VGM Score	<b>A</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.

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## Disclosures

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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