

## L Brands, Inc. (LB)

**\$72.14** (As of 06/24/21)

Price Target (6-12 Months): **\$83.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 03/01/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**2-Buy**

Zacks Style Scores:

VGM:B

Value: A

Growth: B

Momentum: F

### Summary

Shares of L Brands have risen and outpaced the industry in the past three months. The company has been gaining from continued strength in the Bath & Body Works and Victoria's Secret segments, as was evident from first-quarter fiscal 2021 results. Impressively, both sales and earnings grew year over year. Momentum in both businesses was driven by customer's positive response to assortments, which in turn, led to reduced promotional activity and higher merchandising margin rates. Also, relaxation in pandemic-induced restrictions and government stimulus payments favorably impacted the quarter. Markedly, management provided an upbeat second-quarter view with earnings now expected between 80 cents and \$1.00 per share. Also, management remains on track to separate Bath & Body Works and Victoria's Secret businesses by August.

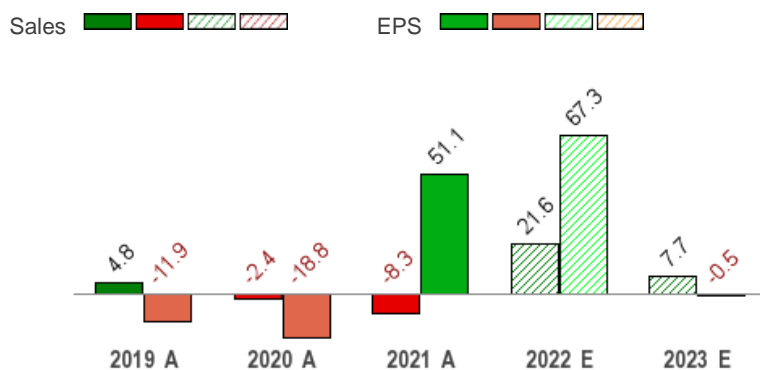
### Price, Consensus & Surprise



### Data Overview

52-Week High-Low	\$72.80 - \$13.71
20-Day Average Volume (Shares)	4,102,123
Market Cap	\$20.0 B
Year-To-Date Price Change	94.0%
Beta	1.76
Dividend / Dividend Yield	\$0.60 / 0.8%
Industry	Retail - Apparel and Shoes
Zacks Industry Rank	Top 25% (63 out of 252)

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



Last EPS Surprise	0.0%
Last Sales Surprise	-0.0%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	08/18/2021
Earnings ESP	0.0%

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023					15,519 E
2022	3,024 A	3,187 E	2,958 E	4,985 E	14,407 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	\$1.21 E	\$0.95 E	\$0.69 E	\$2.94 E	\$5.76 E
2022	\$1.25 A	\$0.99 E	\$0.73 E	\$2.85 E	\$5.79 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.

P/E TTM	12.8
P/E F1	12.5
PEG F1	1.0
P/S TTM	1.5

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

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

## Overview

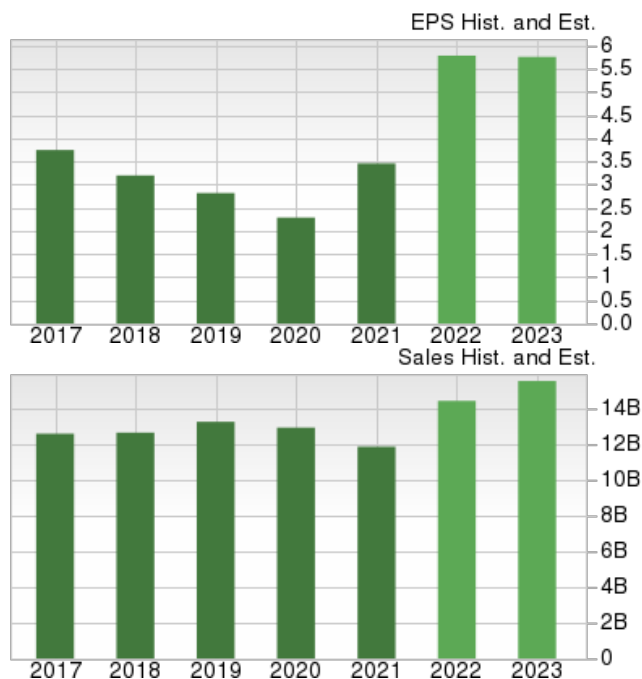
L Brands evolved from an apparel-based specialty retailer to a segment leader focused on women's intimate and other apparel, personal care, beauty and home fragrance products.

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 has two reportable segments — Bath & Body Works (54% of FY20 Net Sales) and Victoria's Secret (46% of FY20 Net Sales).

As of May 1, 2021, company-operated stores were 2,681, comprising 1,752 Bath & Body Works and 929 total Victoria's Secret stores. Total Victoria's Secret stores include 698 Victoria's Secret, 143 PINK, 24 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 757, including 281 Bath & Body Works, 104 Victoria's Secret, 17 PINK and 196 Victoria's Secret Beauty & Accessories. Further, partner-operated stores comprised 141 and 18 Travel Retail stores of Victoria's Secret Beauty & Accessories and Bath & Body Works, respectively.

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



Source: Zacks Investment Research

## Reasons To Buy:

- ▲ **Impressive Start to FY21:** L Brands commenced fiscal 2021 on a strong note with both sales and earnings improving on a year-on-year basis. The company's first-quarter performance gained from continued strength in the Bath & Body Works and Victoria's Secret segments. Momentum in both businesses was driven by customer's positive response to assortments, which in turn, led to reduced promotional activity and higher merchandising margin rates. Also, relaxation in pandemic-induced restrictions and government stimulus payments favorably impacted the quarter. Additionally, management provided an upbeat earnings view for the second quarter. The company expects second-quarter earnings in between 80 cents and \$1.00 per share, sharply up from adjusted earnings of 25 cents per share reported in the year-ago period. Again, management anticipates second-quarter sales to increase in the band of 10-15% compared with fiscal 2019 second-quarter sales of \$2.9 billion. Gross margin rate is estimated to be in the low 40s, up significantly to 2020 and 2019, thanks to the merchandise margin rate and buying and occupancy expense leverage. Shares of L Brands have increased 17.1% in the past three months compared with the industry's rise of 8%.
- ▲ **Solid Q1 Metrics:** L Brands delivered first-quarter fiscal 2021 adjusted earnings of \$1.25 per share — in line with the Zacks Consensus Estimate — that increased significantly from adjusted loss of 99 cents reported in the year-ago quarter. The year-over-year upside can be attributed to better-than-expected sales and margin rates at both Bath & Body Works and Victoria's Secret. Net sales of \$3,024 million were in line with the consensus mark and improved 82.8% on a year-over-year basis. Management estimates that the government stimulus is likely to have positively impacted sales by nearly \$50 million at Bath & Body Works and \$75 million at Victoria's Secret. Comparable sales (stores and direct business) rose 21% during the reported quarter compared with an increase of 4% in the year-ago quarter.
- ▲ **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, the company's 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. The spin-off will result in two independent public companies. This will help simplify the company's organizational structure. Management expects the spin-off to help each company maximize financial flexibility and boost strategic focus. This will enable the companies to thrive better in an evolving retail landscape. Management highlighted that the company has made significant progress in achieving a turnaround in the Victoria's Secret business.
- ▲ **Strength in Bath & Body Works Brand:** L Brands has been benefitting from strength of its Bath & Body Works brand. Total sales surged 93.2% year over year to \$1,469.5 million during the first quarter of fiscal 2021. While comparable sales (stores and direct business) rose 16%, comparable store sales jumped 12%. In the direct channel, sales grew 20.9% to \$349.2 million. The company witnessed balanced growth across all merchandising categories, namely Home Fragrance, Body Care, Soaps and Sanitizers. Sales at Bath & Body Works International advanced 45.7% to \$69.8 million. In U.S. and Canada stores, sales soared 148% year over year to \$1,050 million. Management expects operating margin in the low to mid-twenties for the Bath & Body Works segment. Also, Bath & Body Works is resuming its investment in the remodeling and opening of new stores. We are optimistic about Bath & Body Works' projects in fiscal 2021. L Brands completed 31 North American real estate projects during the quarter under review – 21 new off-mall stores and 10 remodels. In fiscal 2021, the company is targeting roughly 50 new outlets, almost entirely off-mall North American stores. It plans to close 20-40 stores, primarily mall-based locations. We note that the company opened 14 new international stores and closed three in the quarter. The company expects its partners to open another 60-70 new international locations.
- ▲ **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, sales in the Victoria's Secret surged 73.9% to \$1,554.2 million during the first quarter of fiscal 2021. Sales in the direct business surged 69% to \$520.9 million. The company witnessed strength across its Lingerie, PINK and Beauty businesses. Sales at Victoria's Secret International increased 39.4% to \$100.4 million. In U.S. and Canada stores, sales increased 81.5% year over year to \$932.9 million.
- ▲ **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 first quarter of fiscal 2021, 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. The performance across Victoria's Secret segment is likely to improve driven by the brand repositioning work, improved assortments, more disciplined inventory management, profit improvement plan and lapping 2020 pandemic related store closures. Again, Victoria's Secret is investing in a store "refresh" program. Management anticipates mid-teens operating margin in the near-term for the segment.

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.

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## Risks

- **Near-Term Headwinds:** For the third and fourth quarters of fiscal 2021, L Brands envisions inflationary pressures in the supply chain and the transportation network. The company also expects potential disruptions in the supply chain, which could result in higher costs as well as delay in inventories.
  - **Bath & Body Works May Witness Bumpier Ride Ahead:** With the vaccination drive gathering pace and the virus coming under control, consumers are gradually returning to the old normal. Industry experts cited that Bath & Body Works segment, which largely benefited from pandemic-induced demand for Soaps and Sanitizers, may witness bumpier ride ahead. Although the segment has continued with its stellar performance, management still remains cautious as the company laps extraordinary results of last year. In fiscal 2020 Bath & Body Works operating income grew by \$165 million or 90% in the second quarter, by \$285 million or 137%, in the third quarter and by \$250 million or 38% in the fourth quarter. Also, the company expects continued pressure from inflation and macroeconomic costing increases as well as potential supply chain disruptions. Again, pandemic-related risk of closure or restrictions in operating outside the United States cannot be ignored.
  - **Debt Analysis:** L Brands' cash and cash equivalents of \$2,807.3 million as of May 1, 2021 has declined from \$3,902.5 million as of Jan 30, 2021, and is insufficient to meet long-term debt. We note that the company's long-term debt of \$5,344.3 million has increased from 5,034.1 million a year ago. Again, the company's interest expense and other rose 20% year over year during the first quarter of fiscal 2021. This followed an increase of 27% 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 Q1 Earnings Meet Estimates, Sales Increase Y/Y

L Brands, Inc. posted first-quarter fiscal 2021 results, with the top- and the bottom line meeting the Zacks Consensus Estimate. Impressively, both sales and earnings improved on a year-on-year basis. Additionally, management provided an upbeat earnings view for the second quarter.

The company's first-quarter performance gained from continued strength in the Bath & Body Works and Victoria's Secret segments. Momentum in both businesses was driven by customer's positive response to assortments, which in turn, led to reduced promotional activity and higher merchandising margin rates. Also, relaxation in pandemic-induced restrictions and government stimulus payments favorably impacted the quarter.

#### Quarterly Discussion

L Brands delivered adjusted earnings of \$1.25 per share, in line with the Zacks Consensus Estimate. The quarterly earnings increased significantly from adjusted loss of 99 cents reported in the year-ago quarter. The year-over-year upside can be attributed to better-than-expected sales and margin rates at both Bath & Body Works and Victoria's Secret.

Net sales of \$3,024 million were in line with the consensus mark and improved 82.8% on a year-over-year basis. The metric gained from relaxed restrictions associated with the pandemic as well as government stimulus payments. Management estimates that the government stimulus is likely to have positively impacted sales by nearly \$50 million at Bath & Body Works and \$75 million at Victoria's Secret.

The company's sales in the year-ago quarter (first-quarter fiscal 2020) were adversely impacted by pandemic-led store closures for roughly half the quarter. The top line increased 15% from first-quarter fiscal 2019 level.

Comparable sales (stores and direct business) rose 21% during the reported quarter compared with an increase of 4% in the year-ago quarter. Comparable sales (stores only) rose 7% compared against a decline of 5% in the prior-year quarter.

Gross profit amounted to \$1,413.8 million during the quarter, up from \$288.6 million in the year-ago period. Gross margin expanded 2,350 basis points to 46.8%. The upside was driven by improvement in the merchandise margin rate and buying and occupancy expense leverage. Moreover, improved merchandising and selling strategies along with disciplined inventory management at Victoria's Secret aided the company to pull back on its promotional activity. Such strategies drove growth in average unit retail and merchandise margin rates. The merchandise margin rate grew roughly 800 basis points driven by lower promotional activity.

Adjusted operating income amounted to \$572.1 million, up considerably from adjusted operating loss of \$220.9 million in the year-ago quarter.

#### Segment Discussion

Bath & Body Works' total sales increased 93.2% year over year to \$1,469.5 million. Comparable sales (stores and direct business) surged 16%. Comparable store sales increased 12%. In the direct channel, sales increased 20.9% to \$349.2 million. The company witnessed balanced growth across all merchandising categories, namely Home Fragrance, Body Care, Soaps and Sanitizers. Sales at Bath & Body Works International advanced 45.7% to \$69.8 million. In U.S. and Canada stores, sales surged 148% year over year to \$1,050 million.

Bath & Body Works segment has continued with its stellar performance, however, management still remains cautious as the company laps extraordinary results of last year in the second and third quarters. In fiscal 2020 Bath & Body Works operating income grew by \$165 million or 90% in the second quarter, by \$285 million or 137%, in the third quarter and by \$250 million or 38% in the fourth quarter. Also, the company expects continued pressure from inflation and macroeconomic costing increases as well as potential supply chain disruptions. Again, pandemic-related risk of closure or restrictions in operating outside the United States cannot be ignored. Nonetheless, Bath & Body Works is resuming its investment in the remodeling and opening of new stores. Management's expectation of operating margin in the low to mid-twenties is appropriate for the Bath & Body Works segment.

Total sales in Victoria's Secret surged 73.9% to \$1,554.2 million. Comparable sales (stores and direct business) rallied 25%. Comparable store sales witnessed a rise of 3%, while sales in the direct business surged 69% to \$520.9 million. The company witnessed strength across its Lingerie, PINK and Beauty businesses. Sales at Victoria's Secret International increased 39.4% to \$100.4 million. In U.S. and Canada stores, sales increased 81.5% year over year to \$932.9 million.

The performance across Victoria's Secret segment is likely to improve driven by the brand repositioning work, improved assortments, more disciplined inventory management, profit improvement plan and lapping 2020 pandemic related store closures. Again, Victoria's Secret is investing in a store "refresh" program. Management anticipates mid-teens operating margin in the near-term for the segment.

#### Store Update

As of May 1, 2021, company-operated stores were 2,681, comprising 1,752 Bath & Body Works and 929 total Victoria's Secret stores. Total Victoria's Secret stores include 698 Victoria's Secret, 143 PINK, 24 Victoria's Secret Canada, two PINK Canada, 36 Victoria's Secret Beauty

Quarter Ending	04/2021
Report Date	May 19, 2021
Sales Surprise	-0.01%
EPS Surprise	0.00%
Quarterly EPS	1.25
Annual EPS (TTM)	5.66

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and Accessories and 26 Victoria's Secret China.

Total partner-operated stores were 757, including 281 Bath & Body Works, 104 Victoria's Secret, 17 PINK and 196 Victoria's Secret Beauty & Accessories. Further, partner-operated stores comprised 141 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 completed 31 North American real estate projects during the quarter under review – 21 new off-mall stores and 10 remodels. 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. We note that the company opened 14 new international stores and closed three in the quarter. The company expects its partners to open another 60-70 new international locations.

### **Other Financial Details**

L Brands ended the quarter with cash and cash equivalents of \$2,807.3 million and long-term debt of \$5,344.3 million. Total inventories declined 6% year over year to \$1,396.9 million. Shareholders' deficit was \$532.9 million. Management incurred capital expenditures of \$64.5 million in the quarter under review.

For fiscal 2021, the company is estimating capital expenditures in the range \$400-\$450 million, up \$50 million from the prior projection, owing to the new Bath & Body Works direct channel fulfillment center. Roughly 60% of the capex relates to Bath & Body Works, while the remaining relates to Victoria's Secret.

During the quarter, the company bought back 2.6 million shares for \$165.1 million. The company has \$334.9 million remaining under its \$500 million share repurchase program.

### **Outlook & Other Updates**

The company expects second-quarter fiscal 2021 earnings in between 80 cents and \$1.00 per share. This excludes one-time costs related to the spin-off of Victoria's Secret. During second-quarter fiscal 2020, adjusted earnings amounted to 25 cents per share. Again, management anticipates second-quarter sales to increase in the band of 10-15% compared with fiscal 2019 second-quarter sales of \$2.9 billion. Gross margin rate is estimated to be in the low 40s, up significantly to 2020 and 2019, thanks to the merchandise margin rate and buying and occupancy expense leverage. L Brands expects second-quarter SG&A rate to be about flat to 2019's 27.8%.

For the third and fourth quarters of fiscal 2021, L Brands envisions inflationary pressures in the supply chain and the transportation network. The company also expects potential disruptions in the supply chain, which could result in higher costs as well as delay in inventories.

We note that L Brands' board has approved plans to spin-off Victoria's Secret business into a standalone company. The move came in after a prolonged period of strategic analysis of the Victoria's Secret business, including its sale. Moreover, the company believes that a spin-off is likely to boost shareholders' value. The spin-off will result in two independent public companies — Bath & Body Works and Victoria's Secret. The transaction will be carried out through a tax-free spin-off of Victoria's Secret to L Brands' shareholders. The transaction is expected to be completed in August 2021, subject to customary closing conditions.

Management expects the spin-off to help each company maximize financial flexibility and boost strategic focus. This will enable the companies to thrive better in an evolving retail landscape. Management highlighted that the company has made significant progress in achieving a turnaround in the Victoria's Secret business. Backed by the prudent growth efforts, Victoria's Secret is now well positioned to thrive as a standalone public company and continue with its global growth momentum. Over the coming months, the company will evaluate appropriate capital structures for each Bath & Body Works and Victoria's Secret business.



## Recent News

### L Brands Declares Cash Dividend – May 12, 2021

L Brands declared quarterly dividend of 15 cents a share payable on Jun 18, 2021 to shareholders of record at the close of business on Jun 4, 2021.

## Valuation

L Brands shares are up 94% in the year-to-date period and 420.5% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 29.1%, while the Zacks Retail-Wholesale sector is down 0.2%, in the year-to-date period. Over the past year, the sub-industry and the sector are up 183.1% and 21.4%, respectively.

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

The stock is currently trading at 12.48X forward 12-month earnings, which compares to 20.28X for the Zacks sub-industry, 28.19X for the Zacks sector and 21.66X 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 13.26X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$83 price target reflects 14.36X 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	9.78	19.24	28.19	21.66
	5-Year High	21.02	24.86	34.01	23.83
	5-Year Low	2.93	12.32	19.14	15.31
	5-Year Median	11.08	17.18	23.96	18.05
P/S F12M	Current	1.08	1.22	1.34	4.71
	5-Year High	1.08	1.24	1.41	4.74
	5-Year Low	0.22	0.53	0.84	3.21
	5-Year Median	0.42	0.87	1.02	3.72
EV/EBITDA F12M	Current	3.63	14.91	19.49	17.42
	5-Year High	7.93	15.17	20.79	17.74
	5-Year Low	0.89	4.88	11.17	9.63
	5-Year Median	4.31	9.35	13.49	13.47

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



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



## Top Peers

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

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	Outperform	Outperform
Zacks Rank (Short Term)	2	-	-	1	2	3
VGM Score	B	-	-	D	A	D
Market Cap	19.97 B	1.40 B	29.99 B	2.76 B	6.33 B	12.50 B
# of Analysts	9	4	12	9	8	9
Dividend Yield	0.83%	0.00%	1.35%	0.00%	1.31%	2.93%
Value Score	A	-	-	C	A	C
Cash/Price	0.16	0.14	0.06	0.37	0.33	0.22
EV/EBITDA	10.97	6.50	17.12	15.02	6.54	-33.82
PEG F1	0.97	1.57	2.06	0.88	2.71	1.62
P/B	NA	4.22	4.11	2.93	2.16	4.45
P/CF	13.42	17.60	17.50	23.10	13.51	NA
P/E F1	12.63	18.15	21.14	15.78	10.81	19.48
P/S TTM	1.51	0.82	3.40	0.81	0.74	0.80
Earnings Yield	8.03%	4.05%	4.66%	6.34%	9.25%	5.14%
Debt/Equity	-10.03	0.03	0.66	0.36	0.00	0.79
Cash Flow (\$/share)	5.38	0.85	6.86	1.94	4.53	-0.52
Growth Score	B	-	-	D	C	C
Historical EPS Growth (3-5 Years)	-9.72%	-6.25%	9.59%	47.58%	-6.25%	-6.77%
Projected EPS Growth (F1/F0)	67.34%	114.59%	21.79%	488.59%	101.33%	180.52%
Current Cash Flow Growth	-23.13%	-45.04%	1.02%	-45.47%	-34.17%	-114.85%
Historical Cash Flow Growth (3-5 Years)	-1.33%	-4.43%	7.28%	-14.40%	-8.94%	NA
Current Ratio	1.72	1.65	1.39	1.82	1.71	1.65
Debt/Capital	NA%	15.62%	41.51%	26.60%	0.27%	44.15%
Net Margin	10.73%	1.96%	12.06%	5.02%	7.45%	2.76%
Return on Equity	-137.83%	9.75%	16.59%	22.88%	21.23%	14.85%
Sales/Assets	1.20	1.14	0.51	1.06	1.20	1.13
Projected Sales Growth (F1/F0)	21.61%	23.26%	9.56%	18.48%	11.24%	23.37%
Momentum Score	F	-	-	D	B	D
Daily Price Change	1.51%	0.92%	0.58%	2.57%	1.80%	0.49%
1-Week Price Change	-6.31%	-5.10%	1.06%	-6.40%	-8.59%	-3.19%
4-Week Price Change	3.89%	2.80%	1.56%	1.98%	-4.91%	-5.83%
12-Week Price Change	16.73%	12.43%	6.14%	29.92%	7.79%	10.52%
52-Week Price Change	410.55%	155.91%	38.35%	354.06%	108.42%	225.79%
20-Day Average Volume (Shares)	4,102,123	271,739	1,811,241	1,617,023	998,331	6,562,028
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	1.81%	-0.45%
EPS F1 Estimate 4-Week Change	0.00%	4.63%	0.01%	86.62%	3.58%	26.26%
EPS F1 Estimate 12-Week Change	27.59%	18.97%	3.54%	108.07%	22.72%	35.98%

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

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EPS Q1 Estimate Monthly Change	0.00%	:	16.67%	0.00%	:	785.46%	0.17%	-16.84%
Source: Zacks Investment Research								

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## Zacks Stock Rating System

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

### Zacks Recommendation

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

### Zacks Rank

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

### Zacks Style Scores

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

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

Value Score	A
Growth Score	B
Momentum Score	F
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.

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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

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proportionate to its market value.

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

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

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

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

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

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

#### Periods:

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

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

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

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

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

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

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

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

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

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

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

**EV/CF Ratio:** The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-

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term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital

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intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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