Sep 02, 2020

lululemon athletica (LULU)

$391.16 (As of 09/01/20)

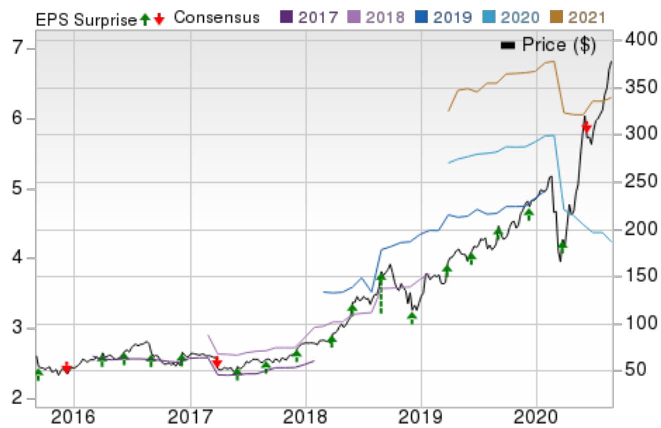
Price Target (6-12 Months): **$411.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/12/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:F
	Value: F | Growth: F | Momentum: A	

Summary

Shares of lululemon continue to show resilience on its sound fundamentals, despite the effects of the coronavirus pandemic. The company's shares outpaced the industry in the past three months owing to its robust digital growth amid the pandemic, despite reporting dismal first-quarter fiscal 2020 results. A shift in consumer preference toward online shopping has been aiding its e-commerce business. This resulted in strong digital sales growth in March and April, which continued into May. It expects digital sales in the fiscal second quarter to be consistent with the 125% growth witnessed in April. Also, a phased reopening of stores bodes well. However, extended store closures marred results in the fiscal first quarter. Moreover, it witnessed soft margins owing to deleveraging in occupancy and other non-product costs as well as SG&A expense.

Price, Consensus & Surprise

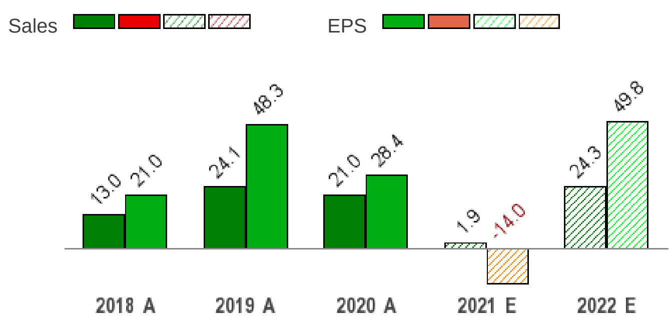


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$399.50 - $128.85**
20-Day Average Volume (Shares)	**1,294,609**
Market Cap	**$50.9 B**
Year-To-Date Price Change	**68.8%**
Beta	**1.14**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Textile - Apparel**
Zacks Industry Rank	**Bottom 20% (202 out of 251)**
Last EPS Surprise	**-15.4%**
Last Sales Surprise	**-8.4%**
EPS F1 Estimate 4-Week Change	**1.0%**
Expected Report Date	**09/08/2020**
Earnings ESP	**11.8%**
P/E TTM	**88.5**
P/E F1	**92.3**
PEG F1	**5.0**
P/S TTM	**13.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates **(millions of $)**

	Q1	Q2	Q3	Q4	Annual*
2022	826 E	1,007 E	1,160 E	1,858 E	5,039 E
2021	652 A	834 E	957 E	1,548 E	4,055 E
2020	782 A	883 A	916 A	1,397 A	3,979 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.63 E	$0.89 E	$1.18 E	$3.11 E	$6.35 E
2021	$0.22 A	$0.51 E	$0.90 E	$2.50 E	$4.24 E
2020	$0.74 A	$0.96 A	$0.96 A	$2.28 A	$4.93 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/01/2020. The reports text is as of 09/02/2020.

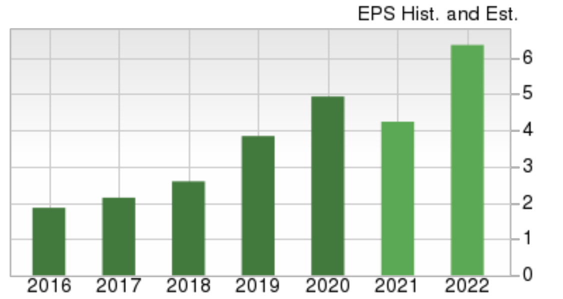
Overview

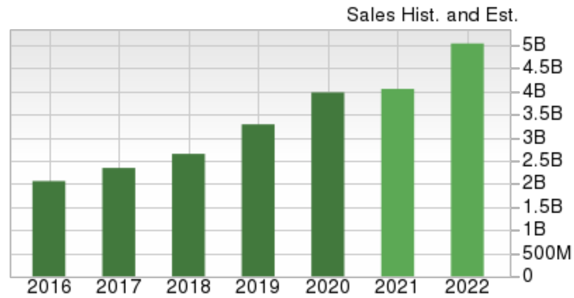
Founded in 1998 and based in Vancouver, Canada, lululemon athletica inc. is a yoga-inspired athletic apparel company that creates lifestyle components. The company designs, manufactures and distributes athletic apparel and accessories for women, men and female youth.

The company offers a line of apparel assortment, including fitness pants, shorts, tops and jackets designed for healthy lifestyle and athletic pursuits, such as yoga, training, and running as well as other sweaty and general fitness under the lululemon athletica brand name. Moreover, its fitness-related items comprise an array of accessories like bags, socks, underwear, yoga mats, instructional yoga DVDs, water bottles and other equipments.

Notably, the company sells its products primarily in North America through a chain of corporate-owned and retail stores, outlets and warehouse sales, independent franchises, and a network of wholesale accounts. Also, the company has an e-commerce site with an aim to rapidly expand its online business.

Additionally, the company has entered into license and supply agreements with partners in the Middle East and Mexico, through which they are permitted to operate lululemon branded retail locations in the United Arab Emirates, Kuwait, Qatar, Oman, Bahrain, and Mexico. Also, they have the rights to sell lululemon products via the company's e-commerce websites in these countries.

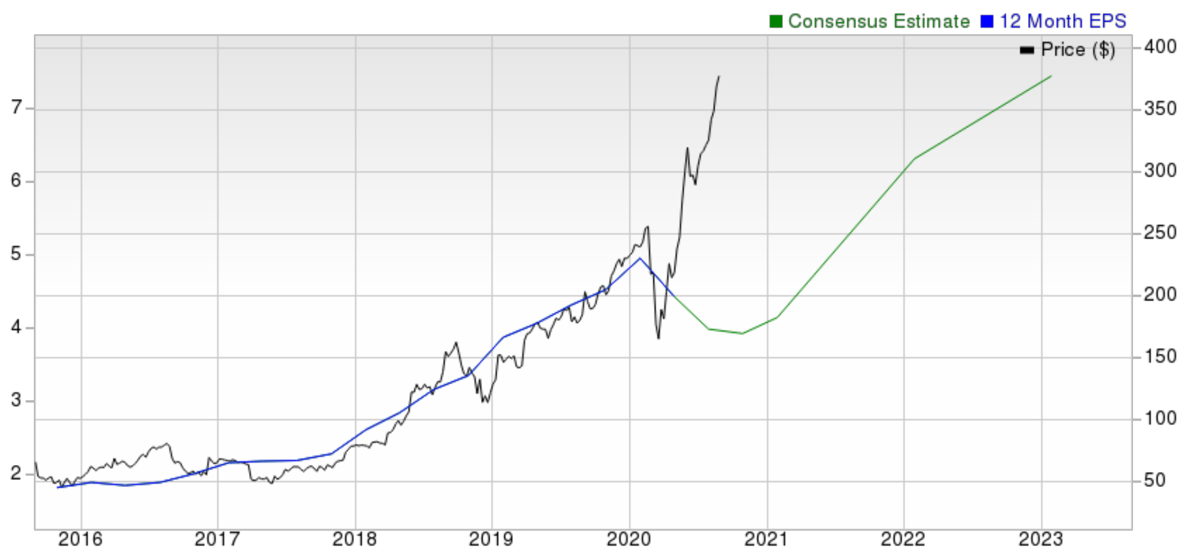




Under these arrangements, the company supplies its license partners with lululemon products, training and other support. While the initial agreement term for the Middle East expires in January 2020, the term for Mexico expires in November 2026.

Furthermore, the company conducts its business through two segments: company-operated stores and direct to consumer.

As of May 3, 2020, lululemon operated 489 company-operated stores.



Source: Zacks Investment Research

Reasons To Buy:

> lululemon's e-commerce platform remained more relevant amid the pandemic, as most stores were closed in Q1. It reported strong e-commerce growth in March and April, which continued into May.

▲ **Robust e-commerce Trend Amid Pandemic:** Shares of lululemon have rallied 20.8% in the past three months compared with the industry's11% growth. The stock is witnessing momentum owing to its strong e-commerce performance, despite store closures. The coronavirus pandemic has transformed the retail industry, putting e-commerce in the forefront as consumers' preference is shifting to online shopping. Notably, lululemon's first-quarter fiscal 2020 results reflected strong e-commerce growth in March and April, which continued into May. The company's direct-to-consumer sales, through its website and app jumped 70% on a reported basis and in constant dollars, in the fiscal first quarter. This marked a significant improvement from constant-dollar growth of 35% in the year-ago quarter and 41% in fourth-quarter fiscal 2019. Notably, e-commerce revenues contributed about $352 million or 54% of total sales in the fiscal first quarter, whereas its contribution was 26.8% in the year-ago quarter. The company has been investing in websites and mobile app for the last several quarters to enhance the guest experience. These investments have improved functionality, including checkout, navigation, search browse and the speed of our sites. The capabilities clearly paid out amid the coronavirus crisis in the fiscal first quarter, when most of its stores across the world remained closed.

After witnessing lockdowns since mid-March in North America and Europe, the company entered the recovery phase from late March and April. This period led to the emergence of a new normal, with more people embracing working and sweating at home. Consequently, online sales soared 125% in April, with the momentum continuing in the fiscal second quarter. Notably, e-commerce sales increased 170% in Europe and nearly 150% in Australia in the fiscal first quarter. Meanwhile, in China, the company witnessed positive comps in March as the strength in e-commerce more than offset the declines in stores. Notably, the China market reached the recovery phase in March when other parts of the world were starting to feel the impacts of the virus.

▲ **Enhanced Distribution:** To back growth in e-commerce, lululemon also moved to quickly harness the power of its flexible distribution network to ensure a high level of service to guests. It recently implemented intelligent sourcing capabilities that use machine learning and artificial intelligence to route e-commerce orders through the distribution network in the most efficient way. This is likely to result in increased delivery speed, minimizing costs and efficiently utilizing inventory pools to help reduce markdowns.

▲ **Phased Re-Opening of Stores:** As the coronavirus led restrictions are being lifted gradually, lululemon gears up to re-open stores in a phased manner. Following its successful re-opening in Greater China, the company is opening stores in select other regions, week-by-week and market-by-market as per the guidelines of local governments as well as public health authority. The company began reopening stores in Europe and North America in mid-May. As of June 11, the company reopened nearly 300 stores across North America, Europe, Asia, New Zealand and Australia. The store re-openings included 190 in North America, 13 in Europe, 53 in Asia, and 39 in Australia, and New Zealand. Furthermore, all of the company's distribution centers are operational. The company has undertaken extra measures to ensure safety and sanitization at reopened stores. While it is working on the reopening of its store, it expects continued momentum in the e-commerce business in the fiscal second quarter and the year ahead, placing it for growth among its peers.

▲ **Robust Outlook:** Though lululemon did not provide guidance for fiscal 2020, it remains optimistic about its performance in the quarters ahead. In the fiscal second quarter, the company expects revenues for the digital channel to remain strong, which is anticipated to moderate in the second half as the store business continues to recover. Digital sales in the fiscal second quarter is likely to be relatively consistent with the April trends of 125% growth. Moreover, it predicts revenues to improve sequentially throughout the rest of fiscal 2020. For the fiscal second quarter, it anticipates revenues to decline in the high-single digits, which is likely to improve sequentially in the quarters ahead. For the fiscal fourth quarter, it anticipates generating high single-digit revenue growth.

▲ **Strong Financial Position:** Despite the ongoing headwinds related to the coronavirus outbreak, lululemon remains well-poised financially to steer to the situation. Notably, it ended first-quarter fiscal 2020 with total liquidity of $1.2 billion. This comprised of $823 million in cash & cash equivalents and $398.2 million of available capacity under its revolving credit facility. The company's strong liquidity position is sufficient to meet its short term debt obligations. Further, the company is efficiently managing inventory by balancing inventory supply with the current reduction in demand, as well as working terms with vendors for smooth assortment flow in the second half of the year, when the situation might likely improve. To retain its financial strength, management is evaluating expense structure and capital investments for store opening and remodeling projects. The company has also suspended its share repurchase program for the time being. However, prior to the suspension, the company bought back 0.4 million shares at an average price of $172.68 per share in the fiscal first quarter.

▲ **Power of Three Strategic Plan:** While coronavirus significantly impacted the first quarter results, lululemon is on track with the its five-year Power of Three plan, which aims at doubling sales in the men's and digital categories, and quadrupling sales in the international unit by 2023. This five-year plan focuses on three core objectives – product innovation, augmenting omni-guest experiences and market expansion. Notably, the company is witnessing positive consumer response for its merchandise. Going forward, the company remains optimistic about the innovations it plans to bring in its assortments for both men and women. Management plans to keep investing in strategies to maintain customer footfall, including efforts to augment store base and enhancing shopping experiences. Driven by these plans, the company had earlier anticipated to deliver sales growth in the low-teens in the next five years. lululemon also expects some annual benefits of this plan, which include modest gross margin improvement, slight reduction in SG&A costs, operating growth in excess of sales growth, earnings per share growth equal to or more than operating income growth, and capital expenditure of about 6-8% of sales.

Reasons To Sell:

> lululemon reported lower-than-expected earnings & sales in first-quarter fiscal 2020, marking its first miss in three years. Results were marred by store closures due to the COVID-19 outbreak.

- **Stock Valuation Looks Stretched:** Considering Price-to-Earnings (P/E) ratio, lululemon looks pretty overvalued when compared with the broader industry and the S&P 500. The stock has a trailing 12-month P/E of 88.5 compared with 43.32x for the industry and 23.71x for the S&P 500. Its trailing 12-month P/E ratio is higher than the median level of 50.56x and at par with the high level scaled in the past year. These factors profess that the stock's valuation is quite stretched.

- **Soft Q1 Performance:** lululemon reported lower-than-expected top and bottom lines in first-quarter fiscal 2020. Moreover, earnings and revenues declined year over year. This marked the company first earnings and sales miss in last three years. Results were primarily marred by extended store closures due to the COVID-19 outbreak. The bottom line was hurt by a decline in the top line as well as gross and operating margins. The sharp 17% decline in revenues was attributed to the closure of a large number of stores globally. Owing to the store closures, the company also did not provide same-store sales. Management did not issue any guidance for fiscal 2020 due to the unprecedented impact of the coronavirus outbreak.

- **Margins Remain Pressurized:** During the fiscal first quarter, lululemon's margins remained pressured due to higher costs amid the pandemic. The company's gross profit declined 21%, while gross margin contracted 260 basis points (bps) to 51.3%. Gross margin primarily benefited from a 180 bps increase in product margins stemming from lower product costs and favorability of product mix. The increased product margins were more than offset by a 330 bps deleverage in occupancy and depreciation, 100 bps deleverage on products and supply team costs, and negative impact of 20 bps from foreign exchange. Moreover, SG&A expenses rose 3% in the fiscal first quarter, reflecting an 890 bps expansion, as a percentage of sales. SG&A deleverage mainly resulted from lower revenue due to COVID-19 related store closures and continued payments to employees through this period. Driven by soft gross margin and higher SG&A expenses, operating income declined 74.5% to $32.8 million. Operating margin contracted to 5% compared with 16.5% in the prior-year quarter.

- **Competition:** lululemon is an elite and premium activewear brand which had established itself as a market leader in the yoga apparel segment. However, the company is facing stiff competition from leading brands like Gap, NIKE, Nordstrom, L Brands and Under Armour, as well as other private and boutique brands to capture market share in the female yoga, running, dancing and stylish casual compression pant product lines. Apart from this, Amazon.com is also extending activewear offerings, thus intensifying the competition.

- **Macroeconomic Challenges:** The apparel retail industry is consumer-driven and hence, very sensitive to the health of the economy. Spending on apparel and accessories is heavily dependent on the personal disposable income of consumers. Macroeconomic challenges such as high household debt and unemployment levels may restrain consumer spending on these items.

Last Earnings Report

lululemon Q1 Earnings & Sales Miss Estimates

Quarter Ending	04/2020
Report Date	**Jun 11, 2020**
Sales Surprise	**-8.36%**
EPS Surprise	**-15.38%**
Quarterly EPS	**0.22**
Annual EPS (TTM)	**4.42**

lululemon reported lower-than-expected top and bottom lines in first-quarter fiscal 2020. Moreover, earnings and revenues declined year over year. Results were primarily marred by extended store closures due to the COVID-19 outbreak, offset by solid e-commerce performance. Management did not issue any guidance for fiscal 2020 due to the unprecedented impact of the coronavirus outbreak.

lululemon's earnings of 22 cents per share in the fiscal first quarter lagged the Zacks Consensus Estimate of 26 cents and declined 70% from earnings of 74 cents in the year-ago quarter. The bottom line was hurt by a decline in the top line as well as gross and operating margins.

The Vancouver, Canada-based company's quarterly revenues declined about 17% to $652 million and missed the Zacks Consensus Estimate of $711 million. On a constant-dollar basis, revenues fell 16%. The sharp decline in revenues is attributed to the closure of a large number of stores globally due to the coronavirus outbreak. Owing to the store closures, the company also did not provide same-store sales.

Meanwhile, its e-commerce business continued to perform well, as consumers shifted to the online portals for their purchases amid the pandemic. The company's e-commerce (direct-to-consumer) revenues increased 68% on a reported basis and 70% in constant dollars. This marked a significant improvement from constant-dollar growth of 35% in the year-ago quarter and 41% in fourth-quarter fiscal 2019. Notably, e-commerce revenues contributed about $352 million or 54% of total sales in the fiscal first quarter, whereas its contribution was 26.8% in the year-ago quarter.

Margins

Gross profit declined 21% to $334.4 million in first-quarter fiscal 2020. Moreover, gross margin contracted 260 basis points (bps) to 51.3% as higher occupancy and other non-product costs marred the improvement in the product margin.

SG&A expenses rose 3% to $301.7 million. Moreover, SG&A expenses, as a percentage of sales, expanded 890 bps to 46.3%.

Driven by soft gross margin and higher SG&A expenses, operating income declined 74.5% to $32.8 million. Operating margin contracted to 5% compared with 16.5% in the prior-year quarter.

Store Updates

During the fiscal first quarter, the company opened four stores, two in Mainland China, one in South Korea and one in Hong Kong. Apart from the temporary closures due to the COVID-19 outbreak, it closed six stores in the fiscal first quarter. It also completed three planned optimizations. As of May 3, 2020, it operated 489 stores.

Financials

lululemon exited the fiscal first quarter with cash and cash equivalents of $823 million and stockholders' equity of $1,835.8 million. Moreover, it had $398.2 million available under its revolving credit facility. Inventories were up 41% to $625.8 million.

During the fiscal first quarter, the company bought back 0.4 million shares at an average price of $172.68 per share.

Recent News

lululemon to Boost In-home Fitness Offering With MIRROR Buyout – Jun 29, 2020

lululemon has agreed to buy an in-home fitness company — MIRROR — that will enhance its omni guest experience through innovative digital sweatlife offerings, and immersive and personalized in-home sweat and mindfulness solutions. lululemon will pay $500 million for the versatile sweat-at-home platform, which is gaining prominence amid the current coronavirus crisis.

MIRROR is an interactive workout platform, featuring live and on-demand classes. It offers weekly live classes and several on-demand workouts. It also engages in providing immersive one-on-one personal training. Launched in 2018, the platform has witnessed strong growth and engagement due to the growing demand for in-home fitness offerings.

Through the buyout, lululemon is likely to take forward its Power of Three growth plan, which focuses on driving business growth through enhanced omni guest experiences. The acquisition will strengthen its digital and interactive capabilities, and further expand its sweatlife offerings. Moreover, the company is likely to strengthen its existing partnership with MIRROR, which dates back to mid-2019. In the initial pact, lululemon invested in MIRROR that comprised of a content partnership, bringing sweat and meditation classes from lululemon's Global Ambassadors to the MIRROR platform.

With the acquisition, the companies will further expand on the content creation partnership, enabling it to expand its reach to new guests. Following the completion of the transaction, MIRROR will continue to operate as a stand-alone entity within lululemon. Ms. Putnam will continue to serve as the CEO of MIRROR, reporting to Mr. McDonald, lululemon's CEO.

lululemon expects to complete the transaction with existing liquidity, which includes more than $800 million in cash, a $400-million revolving credit facility and a new $300-million revolving credit facility that has a one-year maturity. The company expects to complete the transaction in second-quarter fiscal 2020, after satisfying customary closing conditions.

Valuation

lululemon shares are up 68.9% in the year-to-date period and nearly 117.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 11.7% and 1.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 7.5% and 9.1%, respectively.

The S&P 500 index is up 3.1% in the year-to-date period and 14.5% in the past year.

The stock is currently trading at 71.8X forward 12-month earnings, which compares to 28.78X for the Zacks sub-industry, 34.39X for the Zacks sector and 23.03X for the S&P 500 index.

Over the past five years, the stock has traded as high as 71.8X and as low as 19.31X, with a 5-year median of 30.26X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $411 price target reflects 75.44X forward 12-month earnings.

The table below shows summary valuation data for LULU

Valuation Multiples - LULU					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	71.8	28.78	34.39	23.03
	5-Year High	71.8	28.78	34.39	23.03
	5-Year Low	19.31	13.28	16.13	15.25
	5-Year Median	30.26	18.05	19.84	17.6
P/S F12M	Current	10.99	2.51	2.47	3.93
	5-Year High	10.99	2.51	2.95	3.93
	5-Year Low	2.47	1.45	1.68	2.53
	5-Year Median	4.18	2.08	2.49	3.07
EV/EBITDA TTM	Current	51.89	24.19	11.13	12.5
	5-Year High	51.89	25.94	17.83	13.29
	5-Year Low	11.52	10.74	8.3	8.22
	5-Year Median	19.5	17.96	12.23	10.91

As of 09/01/2020

Industry Analysis **Zacks Industry Rank:** Bottom 20% (202 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Columbia Sportswear Company **(COLM)**	Neutral	3
GIII Apparel Group, LTD. **(GIII)**	Neutral	4
Gildan Activewear, Inc. **(GIL)**	Neutral	4
NIKE, Inc. **(NKE)**	Neutral	3
PVH Corp. **(PVH)**	Neutral	3
V.F. Corporation **(VFC)**	Neutral	3
Guess, Inc. **(GES)**	Underperform	4
Ralph Lauren Corporation **(RL)**	Underperform	4

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

Industry Comparison Industry: Textile - Apparel

	LULU	X Industry	S&P 500	COLM	NKE	RL
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	3	3	4
VGM Score	F	-	-	F	D	D
Market Cap	50.93 B	834.35 M	23.95 B	5.92 B	179.14 B	5.05 B
# of Analysts	17	4	14	6	14	6
Dividend Yield	0.00%	0.00%	1.61%	0.00%	0.85%	0.00%
Value Score	F	-	-	C	D	C
Cash/Price	0.02	0.22	0.07	0.08	0.05	0.52
EV/EBITDA	47.91	6.47	13.32	10.32	43.90	6.47
PEG F1	5.02	5.11	3.05	15.50	3.06	6.25
P/B	27.74	1.87	3.21	3.58	22.21	1.98
P/CF	63.14	6.83	12.92	13.58	44.11	6.55
P/E F1	92.30	36.05	21.84	44.81	49.99	61.85
P/S TTM	13.23	0.65	2.52	2.15	4.79	0.97
Earnings Yield	1.08%	1.64%	4.39%	2.24%	2.00%	1.62%
Debt/Equity	0.35	0.64	0.70	0.00	1.17	0.64
Cash Flow ($/share)	6.20	2.28	6.93	6.59	2.60	10.55
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	26.32%	-2.10%	10.41%	13.85%	4.49%	-1.38%
Projected EPS Growth (F1/F0)	-14.09%	-59.76%	-4.75%	-58.66%	43.57%	-82.95%
Current Cash Flow Growth	26.75%	6.85%	5.22%	30.70%	-14.59%	-10.72%
Historical Cash Flow Growth (3-5 Years)	19.56%	3.96%	8.49%	17.53%	0.67%	-4.88%
Current Ratio	2.68	1.91	1.35	2.99	2.48	2.59
Debt/Capital	25.83%	40.97%	42.92%	0.00%	53.87%	38.94%
Net Margin	15.01%	-1.68%	10.25%	6.66%	6.79%	2.67%
Return on Equity	33.27%	1.00%	14.66%	10.53%	32.95%	8.21%
Sales/Assets	1.28	0.93	0.50	0.99	1.36	0.70
Projected Sales Growth (F1/F0)	1.90%	-6.50%	-1.40%	-15.59%	5.28%	-27.45%
Momentum Score	A	-	-	D	B	C
Daily Price Change	4.12%	0.50%	0.29%	4.55%	2.64%	0.49%
1-Week Price Change	2.37%	2.75%	2.59%	8.66%	2.31%	6.17%
4-Week Price Change	19.18%	3.33%	3.53%	21.37%	17.99%	3.73%
12-Week Price Change	23.63%	-4.75%	2.09%	5.45%	11.90%	-19.08%
52-Week Price Change	117.87%	-23.57%	4.31%	-2.20%	35.63%	-20.44%
20-Day Average Volume (Shares)	1,294,609	110,103	1,816,754	280,312	5,394,946	1,193,380
EPS F1 Estimate 1-Week Change	0.49%	0.00%	0.00%	3.30%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.00%	0.00%	0.20%	-0.58%	2.10%	-56.74%
EPS F1 Estimate 12-Week Change	-5.40%	-44.83%	3.86%	0.12%	-12.14%	-60.32%
EPS Q1 Estimate Monthly Change	1.04%	0.00%	0.00%	-6.02%	2.83%	-57.98%

Source: Zacks Investment Research

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.

Value Score	F
Growth Score	F
Momentum Score	A
VGM Score	F

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

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

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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 mediumterm price change metric and an indication of the stock gaining momentum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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