lululemon athletica (LULU)

$352.07 (As of 10/14/20)

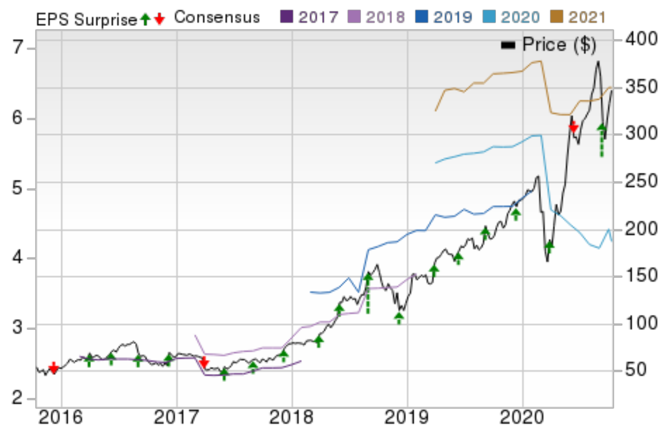
Price Target (6-12 Months): **$378.00**

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:D
	Value: F | Growth: B | Momentum: F	

Summary

Shares of lululemon have continued to show resilience on its sound fundamentals, despite the ongoing pandemic. The company's shares have outpaced the industry year to date owing to its robust digital performance, which also aided second-quarter fiscal 2020 results. Top and bottom lines beat the Zacks Consensus Estimate, while sales grew year over year. Looking ahead, the company expects to capture the growing online demand through its accelerated e-commerce investments. Although the company did not provide fiscal 2020 view, it expects revenues to increase in the third and fourth quarters. However, management expects adjusted earnings to decline in the third quarter before increasing modestly in the final quarter. Also, lululemon expects deleverage in SG&A expenses in the back half of fiscal 2020. This may keep margins under pressure.

Price, Consensus & Surprise

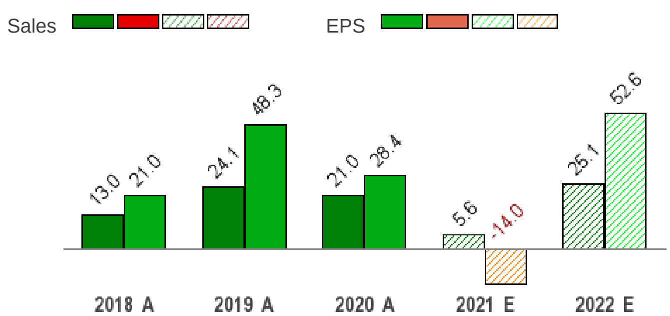


Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$399.90 - $128.85**
20-Day Average Volume (Shares)	**2,008,316**
Market Cap	**$46.4 B**
Year-To-Date Price Change	**53.8%**
Beta	**1.12**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Textile - Apparel**
Zacks Industry Rank	**Top 36% (91 out of 254)**
Last EPS Surprise	**32.1%**
Last Sales Surprise	**5.4%**
EPS F1 Estimate 4-Week Change	**-4.0%**
Expected Report Date	**12/09/2020**
Earnings ESP	**0.0%**
P/E TTM	**84.8**
P/E F1	**83.0**
PEG F1	**4.5**
P/S TTM	**12.0**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	957 E	1,114 E	1,203 E	1,902 E	5,255 E
2021	652 A	903 A	1,003 E	1,576 E	4,200 E
2020	782 A	883 A	916 A	1,397 A	3,979 A

EPS Estimates

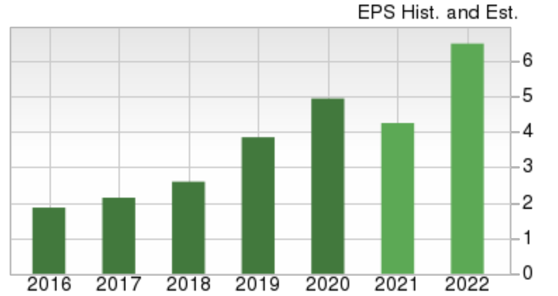
	Q1	Q2	Q3	Q4	Annual*
2022	$0.82 E	$1.12 E	$1.21 E	$3.19 E	$6.47 E
2021	$0.22 A	$0.74 A	$0.84 E	$2.36 E	$4.24 E
2020	$0.74 A	$0.96 A	$0.96 A	$2.28 A	$4.93 A

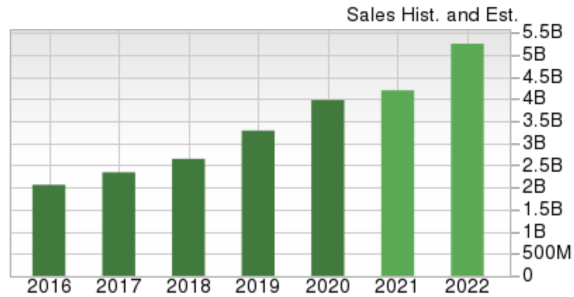
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/14/2020. The reports text is as of 10/15/2020.

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 Aug 2, 2020, lululemon operated 506 company-operated stores.

Source: Zacks Investment Research

Reasons To Buy:

lululemon believes 2020 will be an inflection point for the company and the retail industry, given the shift in trends to working and sweating at home with an increased focus on healthy living.

▲ **Robust E-commerce Trend:** Shares of lululemon have rallied 53.8% year to date against the industry's 5.5% decline. The stock is witnessing momentum owing to its strong e-commerce performance. 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 second-quarter fiscal 2020 results reflected strong direct-to-consumer (e-commerce) revenues, which offset the significant decline in revenues at company-operated stores. The company's direct-to-consumer sales, through its website and app jumped 155% on a reported basis and 157% in constant dollars, in the fiscal second quarter. Notably, e-commerce revenues contributed about $554.3 million or 61.4% of total sales in the fiscal second quarter, whereas its contribution was 24.6% in the year-ago quarter. The company's e-commerce business benefited from a healthy mix of new guests, existing e-commerce guests and historically retail-only guests now shopping online. Notably, e-commerce sales increased more than 130% in China and more than 160% in Europe in the fiscal second quarter.

Looking ahead, the company expects to capture the growing online demand and ensure robust shopping experience through its accelerated e-commerce investments this year. It has been investing in developing sites, building transactional omni functionality and increasing fulfillment capabilities. Although the company had planned these investments over the next two years, the sudden acceleration in e-commerce demand beyond expectations has led to prioritizing and pulling forward these investments.

▲ **Impressive Q2 Results:** lululemon reported better-than-expected top and bottom lines in second-quarter fiscal 2020. Moreover, revenues improved year over year, owing to strong e-commerce sales, while adjusted earnings per share declined on higher expenses. On a constant-dollar basis, revenues increased 3%. Its top line primarily benefited from strong e-commerce revenues, offset by significant decline in revenues at company-operated stores. Its retail business is gaining from accelerated expansion of e-commerce and digital sweat offerings. Its products crafted with technical innovation and performance fabrics are likely to continue aiding results due to the rise in work from home and versatile lifestyle, owing to the pandemic. Management expects the recent MIRROR buyout to improve its at-home fitness offerings. Although management remains cautiously optimistic about the second half of fiscal 2020, it believes 2020 will be an inflection point for the company and the retail industry given the shift in trends to working and sweating at home with an increased focus on healthy living.

▲ **Sales Trends to Improve in 2H FY20:** Although the company did not provide guidance for fiscal 2020, it expects revenue trend to improve sequentially in the second half. Including the MIRROR buyout, the company expects total revenues to increase mid to high-single digits in the fiscal third quarter and in the high-single to low-double digits in the fourth quarter. The revenue growth expectations for the second half are based on the current productivity level of 75% at reopened stores and assume no increment in the quarters ahead. In the digital business, revenues are expected to remain higher than the pre-COVID levels of 20-30% growth. However, digital sales in the fiscal second half are likely to be moderate compared with the second quarter of fiscal 2020 as the majority of the company-operated stores have reopened. Nonetheless, the company expects the MIRROR buyout to contribute more than $150 million to revenues in fiscal 2020.

▲ **Recovery in Store Business:** With the easing of coronavirus led restrictions, lululemon has reopened nearly 97% of its stores across the globe. The reopened stores are operating at 75% of last year's volume, on average. While the company expects productivity for the reopened stores to remain consistent with the current levels through the rest of the fiscal, it expects sequential top line growth in the fiscal third and fourth quarter. Moreover, physical stores are a crucial part of the company's ecosystem. It is not only highly productive from sales perspective, but also facilitates e-commerce transactions through its ship-from-store and buy online pickup in store capabilities. During the fiscal second quarter, the company opened 17 stores, including eight in North America and nine stores across Asia and Europe. Store openings in Asia and Europe comprised four in Mainland China, three in other markets across Asia and two in Europe. This also marked the opening of its 100th store in APAC. Additionally, the company completed two planned optimizations in the quarter. Moreover, it is accelerating its seasonal store strategy, with more than 50 seasonal stores operational in the fiscal second quarter. In fiscal 2020, the company expects to open 30-35 net new stores. In the second half of fiscal 2020, the company plans to increase to nearly 70 seasonal stores.

▲ **Strong Financial Position:** lululemon remains well-poised financially to steer to the coronavirus situation. Notably, it ended second-quarter fiscal 2020 with total liquidity of $1.2 billion, indicating a strong financial position to meet its short term debt obligations. This included cash and cash equivalents of $523 million and $697.7 million available under its revolving credit facility. 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.

▲ **Power of Three Strategic Plan:** 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's gross margin declined 80 bps as rise in distribution center-related costs, more than offset leverage in product team costs and declines in occupancy and depreciation expenses.

- **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 84.83x compared with 46.34x for the industry and 24.92x for the S&P 500. Its trailing 12-month P/E ratio is higher than the median level of 52.31x but below the high level of 94.83x scaled in the past year. These factors profess that the stock's valuation is quite stretched.

- **Margins Remain Pressurized:** During the fiscal second quarter, lululemon's margins remained pressured due to higher costs. The company's gross margin contracted 80 basis points (bps) to 54.2% as a 130-bps increase in distribution center-related costs more than offset the 40-bps leverage in product team costs and 30-bps declines in occupancy and depreciation expenses. Meanwhile, product margin was flat year over year, including online warehouse sale, driven by lower product costs and product mix offset by higher markdowns. Moreover, foreign currency negatively impacted gross margin by 20 bps. Moreover, SG&A expenses rose 11% in the fiscal second quarter, reflecting a 310 bps expansion, as a percentage of sales. Driven by soft gross margin and higher SG&A expenses, adjusted operating income declined 19% to $135.9 million. Adjusted operating margin contracted 400 bps to 15%.

  In the second half of fiscal 2020, the company expects gross margin to improve relative to the first half. However, gross margin in the fiscal third quarter is expected to decline on a year-over-year basis. Meanwhile, gross margin for the fiscal fourth quarter is likely to be flat to modestly up compared with the prior-year quarter. The gross margin view includes savings in non-merchandise expenses of $40 million. Further, it expects continued SG&A expenses deleverage in the back half of fiscal 2020 primarily due to investments in select growth initiatives — particularly digital, and as store traffic remains below last year's levels. Further, the MIRROR buyout will contribute to SG&A expenses deleverage in the fiscal third and fourth quarters.

- **Soft 2H Earnings View:** Although lululemon predicts sequential top line gains in the second half of fiscal 2020, it expects adjusted earnings to decline 10-15% in the fiscal third quarter and increase modestly in the fiscal fourth quarter. Including the MIRROR buyout, adjusted earnings are likely to decline 15-20% in the fiscal third quarter and reflect a modest decline in the fiscal fourth quarter. For fiscal 2020, the company expects the MIRROR acquisition to be modestly dilutive to earnings at less than 5%.

- **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 Q2 Earnings & Sales Beat

Quarter Ending	07/2020
Report Date	Sep 08, 2020
Sales Surprise	5.35%
EPS Surprise	32.14%
Quarterly EPS	0.74
Annual EPS (TTM)	4.20

lululemon reported better-than-expected top and bottom lines in second-quarter fiscal 2020. Moreover, revenues improved year over year, owing to strong e-commerce sales, while adjusted earnings per share declined on higher expenses.

The company remains cautiously optimistic about the second half of fiscal 2020 as the operating environment remains uncertain. However, it believes 2020 will be an inflection point for the company and the retail industry, given the shift in trends to working and sweating at home with an increased focus on healthy living.

It expects its retail business to accelerate on the expansion of e-commerce and digital sweat offerings. Its products crafted with technical innovation and performance fabrics are likely to continue aiding results due to the rise in work from home and versatile lifestyle, owing to the pandemic. Additionally, management expects the recent MIRROR buyout to improve its at-home fitness offerings.

However, management did not issue detailed guidance for fiscal 2020 due to the impacts of the coronavirus outbreak.

Q2 Numbers

lululemon's adjusted earnings of 74 cents per share in the fiscal second quarter beat the Zacks Consensus Estimate of 56 cents but declined 22.9% from earnings of 96 cents in the year-ago quarter. Despite top-line growth, the company's earnings were hurt by higher costs and margin declines.

The Vancouver, Canada-based company's quarterly revenues rose 2.2% to $902.9 million and surpassed the Zacks Consensus Estimate of $857.1 million. On a constant-dollar basis, revenues increased 3%. The company's top line primarily benefited from strong direct-to-consumer (e-commerce) revenues, which offset the significant decline in revenues at company-operated stores.

The company's net revenues at company-operated stores were down 51% year over year to $287.2 million, while direct-to-consumer revenues were up 155% to 554.3 million. On a constant dollar basis, direct-to-consumer revenues rose 157%. Notably, direct-to-consumer revenues contributed about 61.4% of total sales in the fiscal second quarter, whereas its contribution was 24.6% in the year-ago quarter.

Margins

Gross profit inched up 1% to $489.5 million in second-quarter fiscal 2020. However, gross margin contracted 80 basis points (bps) to 54.2% as a 130-bps increase in distribution center-related costs more than offset the 40-bps leverage in product team costs and 30-bps declines in occupancy and depreciation expenses. Meanwhile, product margin was flat year over year, including online warehouse sale, driven by lower product costs and product mix offset by higher markdowns. Moreover, foreign currency negatively impacted gross margin by 20 bps.

SG&A expenses rose 11% to $352.9 million. Moreover, SG&A expenses, as a percentage of sales, expanded 310 bps to 39.1%.

Driven by soft gross margin and higher SG&A expenses, adjusted operating income declined 19% to $135.9 million. Adjusted operating margin contracted 400 bps to 15%.

Store Updates

During the fiscal second quarter, the company opened 17 stores, including eight in North America and nine stores across Asia and Europe. Store openings in Asia and Europe comprised four in Mainland China, three in other markets across Asia and two in Europe. This also marked the opening of its 100th store in APAC. Additionally, the company completed two planned optimizations in the quarter. As of Aug 2, 2020, it operated 506 stores.

Moreover, the company is accelerating its seasonal store strategy. It operated more than 50 seasonal stores in the fiscal second quarter.

In fiscal 2020, the company expects to open 30-35 net new stores. In the second half of fiscal 2020, the company plans to increase to nearly 70 seasonal stores.

Financials

lululemon exited the fiscal second quarter with $1.2 billion in total liquidity, which indicates a strong financial position. This included cash and cash equivalents of $523 million and $697.7 million available under its revolving credit facility. Further, its stockholders' equity was $2,001.1 million as of the end of the fiscal second quarter. Inventories were up 36% to $672.8 million.

During the first half of fiscal 2020, the company generated operating cash flow of $60.1 million.

In the second half of fiscal 2020, it expects inventory levels to further moderate and reflect an increase of 20-30%.

Expectations for 2H FY20

Although the company did not provide guidance for fiscal 2020, it expects revenue trend to improve sequentially in the second half of fiscal 2020. Including the MIRROR buyout, the company expects total revenues to increase mid to high-single digits in the fiscal third quarter and in the high-single to low-double digits in the fourth quarter.

The revenue growth expectations for the second half are based on the current productivity level of 75% at reopened stores and assume no increment in the quarters ahead. In the digital business, revenues are expected to remain higher than the pre-CPVID levels of 20-30% growth. However, digital sales in the fiscal second half are likely to be moderate compared with the second quarter of fiscal 2020 as the majority of the company-operated stores have reopened.

Coming to the MIRROR buyout, the company expects a contribution of more than $150 million to revenues in fiscal 2020.

For gross margin, it expects the metric to improve in the second half from the first half. However, gross margin in the fiscal third quarter is expected to decline on a year-over-year basis. Meanwhile, gross margin for the fiscal fourth quarter is likely to be flat to modestly up compared with the prior-year quarter. Moreover, the company notes that it is on track to deliver $40 million of savings in non-merchandise expenses, which is included in gross margin relative to its original budget.

Further, it expects continued SG&A expenses deleverage in the back half of fiscal 2020 primarily due to investments in select growth initiatives — particularly digital, and as store traffic remains below last year's levels. Further, the MIRROR buyout will contribute to SG&A expenses deleverage in the fiscal third and fourth quarters. Consequently, it is on track to realize $130 million in gross SG&A savings by the end of the fiscal compared with its original guidance.

Backed by the above factors, the company expects adjusted earnings to decline 10-15% in the fiscal third quarter and increase modestly in the fiscal fourth quarter. Including the MIRROR buyout, adjusted earnings are likely to decline 15-20% in the fiscal third quarter and reflect a modest decline in the fiscal fourth quarter.

For fiscal 2020, the company expects the MIRROR acquisition to be modestly dilutive to earnings at less than 5%.

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 53.8% in the year-to-date period and nearly 74.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Discretionary sector are down 5.5% and 0.1%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 3% and 9.1%, respectively.

The S&P 500 index is up 9.1% in the year-to-date period and 17.4% in the past year.

The stock is currently trading at 61.55X forward 12-month earnings, which compares to 27.9X for the Zacks sub-industry, 33.05X for the Zacks sector and 22.81X for the S&P 500 index.

Over the past five years, the stock has traded as high as 73.11X and as low as 19.31X, with a 5-year median of 31X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $378 price target reflects 65.24X 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	61.55	27.9	33.05	22.81
	5-Year High	73.11	29.17	35.24	23.47
	5-Year Low	19.31	13.28	16.13	15.27
	5-Year Median	31	18.13	19.85	17.68
P/S F12M	Current	9.39	2.64	2.39	4.21
	5-Year High	11.2	2.64	2.95	4.31
	5-Year Low	2.47	1.45	1.68	3.18
	5-Year Median	4.28	2.09	2.47	3.67
EV/EBITDA TTM	Current	49.11	25.82	11.36	15.52
	5-Year High	54.97	25.94	17.81	15.68
	5-Year Low	11.52	10.67	8.25	9.55
	5-Year Median	20.16	17.95	12.25	13.09

As of 10/13/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 36% (91 out of 254)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Guess, Inc. **(GES)**	Outperform	1
HUGO BOSS **(BOSSY)**	Neutral	4
Columbia Sportswear Company **(COLM)**	Neutral	3
GIII Apparel Group, LTD. **(GIII)**	Neutral	3
Gildan Activewear, Inc. **(GIL)**	Neutral	3
PVH Corp. **(PVH)**	Neutral	3
Under Armour, Inc. **(UAA)**	Neutral	2
V.F. Corporation **(VFC)**	Neutral	3

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	BOSSY	COLM	GIII
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	D	-	-	B	F	A
Market Cap	46.43 B	861.29 M	23.57 B	1.94 B	6.15 B	689.11 M
# of Analysts	16	4	14	1	6	8
Dividend Yield	0.00%	0.00%	1.62%	0.12%	0.00%	0.00%
Value Score	F	-	-	A	D	A
Cash/Price	0.01	0.20	0.07	0.07	0.08	0.34
EV/EBITDA	43.34	4.81	13.59	2.29	10.77	3.17
PEG F1	4.52	6.91	2.90	NA	15.93	44.02
P/B	23.20	1.87	3.55	2.23	3.72	0.55
P/CF	57.51	6.58	13.31	3.05	14.12	3.49
P/E F1	83.04	45.34	22.26	NA	46.03	45.34
P/S TTM	12.00	0.74	2.66	0.74	2.24	0.27
Earnings Yield	1.19%	1.54%	4.36%	-3.63%	2.17%	2.18%
Debt/Equity	0.00	0.20	0.70	0.00	0.00	0.33
Cash Flow ($/share)	6.20	2.44	6.93	1.81	6.59	4.08
Growth Score	B	-	-	B	F	A
Historical EPS Growth (3-5 Years)	26.46%	-3.51%	10.41%	-33.84%	13.85%	7.45%
Projected EPS Growth (F1/F0)	-14.01%	-72.45%	-2.99%	-129.10%	-58.18%	-90.15%
Current Cash Flow Growth	26.75%	2.71%	5.49%	47.20%	30.70%	6.85%
Historical Cash Flow Growth (3-5 Years)	19.56%	3.96%	8.51%	NA	17.53%	9.97%
Current Ratio	1.95	1.74	1.35	1.49	2.99	2.48
Debt/Capital	0.00%	24.65%	42.91%	0.00%	0.00%	24.65%
Net Margin	13.94%	-1.68%	10.28%	-3.64%	6.66%	2.57%
Return on Equity	29.52%	-0.02%	14.80%	0.61%	10.53%	6.50%
Sales/Assets	1.21	0.91	0.51	0.84	0.99	0.98
Projected Sales Growth (F1/F0)	5.54%	0.00%	-0.58%	-20.02%	-16.98%	-36.01%
Momentum Score	F	-	-	F	C	A
Daily Price Change	2.38%	-0.13%	-0.99%	-1.52%	-0.63%	-4.11%
1-Week Price Change	4.15%	4.11%	4.06%	10.63%	6.29%	6.76%
4-Week Price Change	12.93%	4.10%	2.70%	-2.74%	0.77%	-0.97%
12-Week Price Change	9.50%	13.11%	6.67%	-2.74%	16.72%	23.91%
52-Week Price Change	74.75%	-26.85%	5.15%	-33.59%	-5.86%	-43.74%
20-Day Average Volume (Shares)	2,008,316	151,255	2,058,127	1,854	312,625	893,058
EPS F1 Estimate 1-Week Change	-3.96%	0.00%	0.00%	-25.81%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-3.96%	0.00%	0.00%	-25.81%	0.00%	5.89%
EPS F1 Estimate 12-Week Change	3.40%	-1.50%	3.53%	-1,400.00%	-0.25%	380.58%
EPS Q1 Estimate Monthly Change	0.11%	0.00%	0.00%	NA	0.00%	-4.21%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	F
Growth Score	B
Momentum Score	F
VGM Score	D

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

Disclosures

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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.