

NIKE, Inc. (NKE)

\$122.86 (As of 10/29/20)

Price Target (6-12 Months): **\$141.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 09/28/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:F

Value: F

Growth: C

Momentum: C

Summary

Shares of NIKE have outpaced the industry in the past three months, reflecting significant upside after it swung to profits in first-quarter fiscal 2021. It reported top and bottom line beat, while earnings improved year over year. Results gained from strength in digital business across all regions. Digital sales for the NIKE brand improved double-digit growth across North America, Greater China, and APLA, along with triple-digit growth in EMEA. Moreover, decline in SG&A expenses on lower overhead costs and demand creation expenses aided earnings. Further, the company expects robust top line growth in fiscal 2021 owing to anticipated gains in the second half. However, soft traffic at retail stores and lower revenues at Wholesale business remain headwinds. Moreover, higher promotions and supply-chain costs hurt gross margin in the quarter.

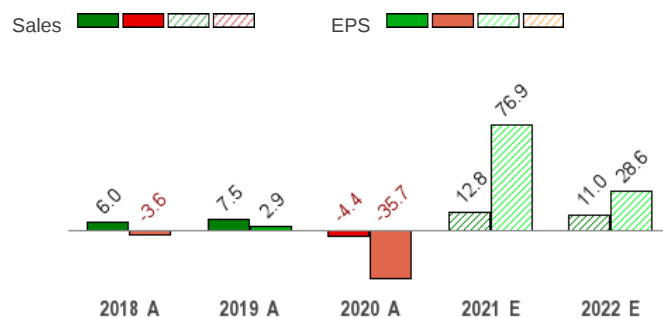
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$131.38 - \$60.00
20-Day Average Volume (Shares)	5,000,164
Market Cap	\$192.9 B
Year-To-Date Price Change	21.3%
Beta	0.80
Dividend / Dividend Yield	\$0.98 / 0.8%
Industry	Shoes and Retail Apparel
Zacks Industry Rank	Top 11% (27 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	97.9%
Last Sales Surprise	15.5%
EPS F1 Estimate 4-Week Change	1.9%
Expected Report Date	12/17/2020
Earnings ESP	-9.0%
P/E TTM	64.0
P/E F1	43.4
PEG F1	3.3
P/S TTM	5.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	12,107 E	11,848 E	11,884 E	10,727 E	46,809 E
2021	10,594 A	10,614 E	10,879 E	10,179 E	42,181 E
2020	10,660 A	10,326 A	10,104 A	6,313 A	37,403 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.10 E	\$0.86 E	\$0.97 E	\$0.66 E	\$3.64 E
2021	\$0.95 A	\$0.62 E	\$0.75 E	\$0.55 E	\$2.83 E
2020	\$0.86 A	\$0.70 A	\$0.78 A	-\$0.51 A	\$1.60 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 10/29/2020. The reports text is as of 10/30/2020.

Overview

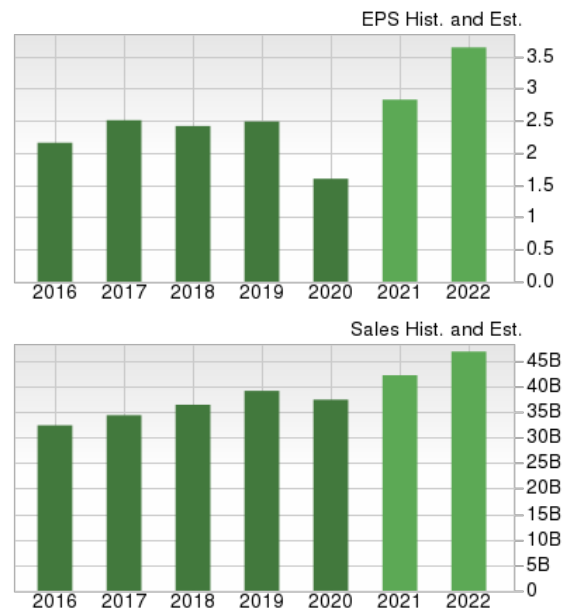
Headquartered in Beaverton, OR, NIKE Inc. was incorporated in 1967. The company is engaged in the business of designing, developing and marketing of athletic footwear, apparel, equipment and accessories, and services for men, women and children worldwide. With the help of a strong brand portfolio, including Nike Pro, Nike Golf, Nike+ and Air Jordan, it offers premium, well-designed and high-quality products, in line with the latest customer trends. NIKE is the global leader in athletic footwear, apparel, equipment and sports-related accessories, with operations in over 160 countries.

Nike's "swoosh" logo and "just do it" tagline are widely recognized across the world, while its association with celebrity sportspersons, such as Michael Jordan and Roger Federer as well as top professional and college teams ensures a strong brand recall in the key U.S., U.K., Japanese and Chinese markets.

The company's products include six key categories: running, NIKE basketball, the Jordan brand, football, training and sportswear (sports-inspired lifestyle products). It also offers products designed for kids, as well as for other athletic and recreational uses such as American football, baseball, cricket, lacrosse, skateboarding, tennis, volleyball, wrestling, walking and outdoor activities.

The company sells its products to footwear stores; sporting goods stores; athletic specialty stores; department stores; skate, tennis, and golf shops; and other retail accounts through NIKE owned retail stores, digital platforms (known as "NIKE Direct"), independent distributors, licensees, and sales representatives. With the help of its retail stores in the U.S. and abroad, Nike sells its products to more than 23,000 retail accounts in the U.S. and over 24,000 retail accounts outside the U.S. to reach a wide array of customers.

Nike currently reports its operating results under 2 segments, namely NIKE Brand segment and Converse. NIKE Brand is now divided into four divisions, primarily on a geographical basis: North America, Europe, Middle East and Africa (EMEA), Greater China, and Asia Pacific and Latin America (APLA).



Source: Zacks Investment Research

Reasons To Buy:

▲ **Swings Back to Profits in Q1:** NIKE's shares gained 25.9% in the past three months, compared with industry's growth of 25%. The stock received an up thrust as the company swung back to profits in first-quarter fiscal 2021. The company reported better-than-expected top and bottom lines for the fiscal first quarter on robust growth in digital business despite soft retail traffic and wholesale revenues. Moreover, earnings improved 10% year over year. While revenues dipped 1% year over year, it remained flat on a currency-neutral basis. Revenues for the NIKE Brand fell 1% and were flat on a constant-dollar basis. Results were primarily aided by double-digit growth in NIKE Direct, and growth in Sportswear and the Jordan Brand. Revenues for the Converse brand rose 1% and improved 2% on a currency-neutral basis, on the back of strong demand in Europe and strong global digital growth.

Even as stores reopen, NIKE witnesses strong digital trends, which demonstrates the strength of its brands and investments made over the past several years to improve digital consumer experiences.

▲ **Digital Business Plays Key Role:** Amid the coronavirus crisis, digital portals quickly gained prominence, becoming the primary channel to engage and serve customers. NIKE benefited from this shift as it was well-positioned to respond, thanks to its efficient digital ecosystem that comprises of its online site as well as commercial and activity apps. Consequently, loss of sales at NIKE-owned stores was partly compensated by robust digital sales across all regions. In the fiscal first quarter, NIKE Direct sales increased 12% on a reported basis and 13% on a currency-neutral basis. Meanwhile, digital sales for the NIKE Brand were up 82% on a reported basis and 83% on a currency-neutral basis. Digital sales for the brand were mainly aided by double-digit growth across North America, Greater China, and APLA along with triple-digit growth in EMEA. Notably, digital sales for the brand contributed about 30% to total revenues in the reported quarter. The company believes the digital acceleration reflects a strategic shift towards a new future marketplace, rather than being a temporary solution to the coronavirus-related challenges in physical markets. Even as stores reopen, the company continues to witness strong digital trends, which demonstrates the strength of its brands and investments made over the past several years to improve digital consumer experiences.

▲ **Decline in SG&A Expenses:** NIKE's SG&A expenses declined 11% to \$2,975 million in first-quarter fiscal 2021, driven by tight operating expense management as well as effective marketing spending as live sporting events slowly start to resume. Further, the company continues to invest in the digital business and transformation. As a percentage of sales, SG&A expenses declined 310 bps to 28.1%. Moreover, demand-creation expenses declined 33% due to lower marketing spending, offset by continued investments in digital business to support increased demand. Operating overhead expenses were down 1%, reflecting lower travel and related expenses, partially offset by restructuring costs and continued investments in digital capabilities.

In fiscal 2021, SG&A expenses are expected to be flat compared with the prior year. This is likely to include \$200 million of non-recurring execution costs out of \$250 million costs incurred in the first half related to the simplification of the organizational structure.

▲ **Fiscal 2021 View:** Despite the uncertainty regarding the impacts of the coronavirus outbreak, the company updated its guidance for fiscal 2021 based on the robust first-quarter results. It expects revenue growth in high-single digits to low-double digits in fiscal 2021. In the near term, it predicts the stronger-than-anticipated demand for its brands to be constrained by the supply decisions taken in the face of the pandemic. However, the company expects to witness significant revenue growth in the second half of the year versus the prior year.

▲ **Healthy Inventory to Aid Gross Margin:** NIKE's inventories increased 15% year over year to \$6,705 million as of Aug 31, 2020, while it fell 9% sequentially. In fourth-quarter fiscal 2020, the company reported inventory growth of 31%. Sequential growth reflects its ability to manage excess inventory due to the coronavirus outbreak-led store closures and lower wholesale shipments globally in fourth-quarter fiscal 2020. Further, the inventory is on track to be normalized in the next 60 days. The company's gross margin outlook for fiscal 2021 is based on its ability to return to normalized inventory levels by the end of the fiscal second quarter. For fiscal 2021, management expects gross margin to be flat year over year, including 40 basis points (bps) of foreign exchange headwinds. In the second half of fiscal 2021, the company is likely to experience sequential improvement in full-price sales.

▲ **Financials Look Strong:** NIKE ended first-quarter fiscal 2021 with strong liquidity, which included cash and short-term investments of \$9.5 billion, up \$5.8 billion from the last year. These included proceeds from the \$6-billion corporate bonds issued in March, offset by share repurchases and dividend payouts. Additionally, liquidity included committed credit facilities, which remain undrawn. The company's cash position remains sufficient to meet current debt of \$138 million as of Aug 31.

▲ **Sustained Shareholder Returns:** NIKE has time and again testified its commitment to enhancing its shareholder value, aided by its strong financial position. Over the past 14 years, the company has distributed regular dividends and made share repurchases to improve shareholder returns. NIKE temporarily suspended share-repurchase activity in March to preserve liquidity amid the pandemic. Prior to the suspension, it repurchased 45.2 million shares for nearly \$4 billion. Consequently, it had a share repurchasing capacity of \$11 billion remaining under the current program. Moreover, the company paid out dividends worth \$384 million in the fiscal first quarter. Notably, NIKE has a dividend payout ratio of 51%, annualized dividend yield of 0.77% and free cash flow yield of 0.71%. The company's annual free cash flow return on investment of 10.1%, at par with the industry's ratio indicates that the dividend payment is sustainable.

Risks

- **Stock Appears Overvalued:** Considering price-to-earnings (P/E) ratio, NIKE looks overvalued compared with the industry and the S&P 500. The stock has a trailing 12-month P/E ratio of 63.99x, which is above the median level of 35.51x but below the high level of 68.22x, scaled in the past year. On the contrary, the trailing 12-month P/E ratio is 57.87x for the industry and 23.53x for the S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
 - **Soft Traffic Trends Hurt Top Line:** Although NIKE reported top line beat in the fiscal first quarter, revenues declined 1% on a year over year basis. The top line benefited from robust digital sales, while lower revenues at Wholesale business and NIKE-owned stores led to the decline. Notably, the company reopened nearly all of its stores in North America, EMEA and Greater China, while about 90% of its stores are operational across APLA. Despite the store reopenings, the company is witnessing year-over-year declines in retail traffic at physical stores, owing to the COVID-19 outbreak and related safety measures. This is, however, was partly negated by increased conversion rates at stores.
 - **Strained Gross Margin:** NIKE's gross profit fell 3% year over year, while gross margin contracted 90 bps in the fiscal first quarter. The decline was mainly attributed to higher promotions to reduce excess inventory across the marketplace and higher supply-chain costs all mainly related to the impacts of the pandemic. This was partly offset by favorable product margins due to full-price selling and the reversal of some prior-quarter reserve accruals related to purchase order cancellation costs, owing to higher-than-anticipated consumer demand.
 - **APLA Revenues Disappoint:** Though revenues remained strong across all regions, APLA witnessed an 18% revenue decline (down 12% on a currency-neutral basis) due to varied COVID-19 impacts across countries in the region. Despite digital growth of more than 90%, slow pace recovery in Latin America and certain countries in Southeast Asia hurt the top line. However, the company experienced strong growth in Japan, Pacific and South Korea.
 - **Competitive Risks:** The sporting goods market (shoes and garments) is very competitive. The footwear market contributes to the lion's share of NIKE's revenues. An erosion of market share due to competitors developing alternative brands remains a threat. Consequently, NIKE has been stringently focused on innovation to stay ahead of market trends and competitors. While NIKE has been unbeatable in the U.S. footwear segment for long due to the popularity of its namesake and Jordan brands, it is at risk of losing market share to Adidas and Under Armour, given their schedule of new product launches and efforts to redefine brands.
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Last Earnings Report

NIKE Beats Q1 Earnings & Sales Estimates

NIKE swings back to better-than-expected top and bottom lines for first-quarter fiscal 2021 on robust growth in digital business despite soft retail traffic and wholesale revenues. Despite the uncertainty regarding the impacts of the coronavirus outbreak, the company updated its guidance for fiscal 2021 based on the robust first-quarter results.

It expects revenue growth in high-single digits to low-double digits in fiscal 2021. In the near term, it predicts the stronger-than-anticipated demand for its brands to be constrained by the supply decisions taken in the face of the pandemic. However, the company expects to witness significant revenue growth in the second half of the year versus the prior year.

For fiscal 2021, it expects gross margin to be flat year over year, including 40 basis points (bps) of foreign exchange headwinds. Gross margin outlook is based on the ability to return to normalized inventory levels by the end of the fiscal second quarter. In the second half of fiscal 2021, the company is likely to experience sequential improvement in full-price sales. However, higher markdown activity in factory stores is likely to continue to sustain conversion rates on lower traffic.

SG&A expenses in fiscal 2021 are expected to be flat compared with the prior year. This is likely to include \$200 million of non-recurring execution costs out of \$250 million costs incurred in the first half related to the simplification of the organizational structure.

Earnings & Revenues

In the reported quarter, the company's earnings per share of 95 cents rose 10% from the year-ago quarter and beat the Zacks Consensus Estimate of 46 cents.

Revenues dipped 1% to \$10,594 million but surpassed the Zacks Consensus Estimate of \$9,173 million. On a currency-neutral basis, revenues were flat year over year. Although the top line benefited from robust digital sales, lower revenues at Wholesale business and NIKE-owned stores led to the decline. Notably, the company reopened nearly all of its stores in North America, EMEA and Greater China, while about 90% of its stores are operational across APLA. Despite the store reopenings, the company is witnessing year-over-year declines in retail traffic at physical stores, owing to the COVID-19 outbreak and related safety measures. This is, however, partly negated by increased conversion rates at stores.

Moreover, the top line benefited from robust digital sales across all regions. In the fiscal first quarter, NIKE Direct sales increased 12% on a reported basis and 13% on a currency-neutral basis. Meanwhile, digital sales for the NIKE Brand were up 82% on a reported basis and 83% on a currency-neutral basis. Digital sales for the brand were mainly aided by double-digit growth across North America, Greater China, and APLA along with triple-digit growth in EMEA. Notably, digital sales for the brand contributed about 30% to total revenues in the reported quarter.

Operating Segments

Revenues for the **NIKE Brand** fell 1% to \$10,018 million and were flat on a constant-dollar basis. Results were primarily aided by double-digit growth in NIKE Direct, and growth in Sportswear and the Jordan Brand. However, declines in the wholesale business more than offset the aforementioned gains.

Within the NIKE Brand, revenues in **North America** fell 2% on a reported basis and 1% on a currency-neutral basis. NIKE digital reported 100% growth, reflecting triple-digit growth in full-price sales. This growth was driven by strong momentum in iconic styles like the Air Force 1 and Air Jordan 1 as well as women's apparel, which recorded nearly 200% growth in the quarter. Further, the company witnessed strong demand on the NIKE App, up 150% in the fiscal first quarter on continued shift to mobile experiences. However, it notes that physical retail traffic remains below the prior-year levels.

In **EMEA**, the company's revenues improved 5% on both reported and currency-neutral basis, driven by a strong recovery in Western Europe, offset by a slow recovery in Italy and Spain. Meanwhile, NIKE Direct grew more than 25% in EMEA, reflecting more than 100% digital growth led by demand for lifestyle products as the consumer focus on comfort continues. Moreover, the segment benefited from 11% currency-neutral growth in the Apparel category. Also, strong progress on Express Lane offense drove revenue growth and helped generate higher full-price realization in the quarter.

In **Greater China**, revenues increased 6% year over year (up 8% on a currency-neutral basis) in the fiscal first quarter. Currency-neutral revenues in the quarter benefited from strong double-digit revenue growth in Mainland China. Further, revenues for NIKE Direct rose 20%, with balanced growth of 30% in digital and double-digits at stores.

In **APLA**, NIKE witnessed an 18% revenue decline (down 12% on a currency-neutral basis) due to varied COVID-19 impacts across countries in the region. Digital sales in the region improved more than 90%, led by a recovery in Japan, Pacific and South Korea. Moreover, recovery in Latin America and certain countries in Southeast Asia continued at a slower pace.

Revenues at the **Converse** brand rose 1% to \$563 million. On a currency-neutral basis, revenues of the segment improved 2% on the back of strong demand in Europe and strong global digital growth.

Costs & Margins

Gross profit fell 3% to \$4,741 million, while gross margin contracted 90 basis points (bps) to 44.8%. The decline was mainly attributed to higher promotions to reduce excess inventory across the marketplace and higher supply-chain costs all mainly related to the impacts of the pandemic. This was partly offset by favorable product margins due to full-price selling and the reversal of some prior-quarter reserve accruals related to

Quarter Ending	08/2020
Report Date	Sep 22, 2020
Sales Surprise	15.49%
EPS Surprise	97.92%
Quarterly EPS	0.95
Annual EPS (TTM)	1.92

purchase order cancellation costs, owing to higher-than-anticipated consumer demand.

Selling and administrative expenses declined 11% to \$2,975 million, driven by tight operating expense management as well as effective marketing spending as live sporting events slowly start to resume. Further, the company continues to invest in the digital business and transformation. As a percentage of sales, SG&A expenses declined 310 bps to 28.1%.

Notably, demand-creation expenses declined 33% year over year to \$677 million due to lower marketing spend, offset by continued investments in digital business to support increased demand. Operating overhead expenses were down 1% to \$2,298 million, reflecting lower travel and related expenses, partially offset by restructuring costs and continued investments in digital capabilities.

Balance Sheet & Shareholder-Friendly Moves

NIKE ended first-quarter fiscal 2021 with strong liquidity of \$13.4 billion, which included cash and short-term investments of \$9.5 billion, up \$5.8 billion from the last year. These included proceeds from the \$6-billion corporate bonds issued in March, offset by share repurchases and dividend payouts. Additionally, liquidity included committed credit facilities, which remain undrawn.

Moreover, it had long-term debt (excluding current maturities) of \$9,408 million and shareholders' equity of \$9,224 million as of the end of the fiscal first quarter. As of Aug 31, 2020, inventories increased 15% year over year to \$6,705 million, while it fell 9% sequentially. Sequential growth reflected its ability to manage excess inventory due to the coronavirus outbreak-led store closures and lower wholesale shipments globally in fourth-quarter fiscal 2020.

NIKE temporarily suspended share-repurchase activity in March to preserve liquidity amid the pandemic. Prior to the suspension, it repurchased 45.2 million shares for nearly \$4 billion. Consequently, it had a share repurchasing capacity of \$11 billion remaining under the current program. However, the company paid out dividends worth \$384 million in the fiscal first quarter.

Valuation

NIKE shares are up 21.3% in the year-to-date period and nearly 37.2% for the trailing 12-month period. Stocks in the Zacks sub-industry are up 17% but the Zacks Consumer Discretionary sector is down 5.2% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 31.9% and 2.7%, respectively.

The S&P 500 index is up 2.7% in the year-to-date period and 9.1% in the past year.

The stock is currently trading at 38.78X forward 12-month earnings, which compares to 34.32X for the Zacks sub-industry, 30.33X for the Zacks sector and 21.18X for the S&P 500 index.

Over the past five years, the stock has traded as high as 48.27X and as low as 19.92X, with a 5-year median of 26.52X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$141 price target reflects 44.5X forward 12-month earnings.

The table below shows summary valuation data for NKE

Valuation Multiples - NKE					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	38.78	34.32	30.33	21.18
	5-Year High	48.27	36.5	35.4	23.47
	5-Year Low	19.92	18.63	16.21	15.27
	5-Year Median	26.52	23.51	19.91	17.68
P/S F12M	Current	4.37	3.53	2.25	3.93
	5-Year High	4.85	3.58	2.96	4.31
	5-Year Low	2.21	2.04	1.7	3.18
	5-Year Median	2.94	2.68	2.48	3.67
EV/EBITDA TTM	Current	39.37	35.84	10.8	14.43
	5-Year High	41.98	37.89	17.86	15.68
	5-Year Low	14.1	12.76	8.3	9.55
	5-Year Median	18.09	16.49	12.21	13.13

As of 10/29/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 11% (27 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Deckers Outdoor Corporation (DECK)	Outperform	1
Adidas AG (ADDYY)	Neutral	3
Columbia Sportswear Company (COLM)	Neutral	2
lululemon athletica inc. (LULU)	Neutral	3
Steven Madden, Ltd. (SHOO)	Neutral	3
Skechers U.S.A., Inc. (SKX)	Neutral	3
Under Armour, Inc. (UAA)	Neutral	3
V.F. Corporation (VFC)	Neutral	2

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

Industry Comparison Industry: Shoes And Retail Apparel				Industry Peers		
	NKE	X Industry	S&P 500	ADDYY	SKX	UAA
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	F	-	-	C	B	B
Market Cap	192.87 B	1.62 B	22.80 B	59.57 B	5.51 B	6.27 B
# of Analysts	14	5	14	8	6	16
Dividend Yield	0.80%	0.00%	1.69%	0.00%	0.00%	0.00%
Value Score	F	-	-	D	B	C
Cash/Price	0.05	0.19	0.07	0.03	0.27	0.16
EV/EBITDA	47.08	7.80	12.93	13.40	7.45	14.78
PEG F1	3.33	2.61	2.61	23.16	NA	NA
P/B	20.91	1.78	3.27	8.36	2.26	4.40
P/CF	47.19	9.47	12.49	16.99	11.70	18.19
P/E F1	43.41	33.41	20.40	123.69	68.45	NA
P/S TTM	5.17	0.93	2.51	2.62	1.20	1.39
Earnings Yield	2.30%	2.53%	4.65%	0.81%	1.46%	-4.93%
Debt/Equity	1.02	0.26	0.70	0.25	0.28	0.69
Cash Flow (\$/share)	2.60	2.85	6.92	8.95	2.98	0.76
Growth Score	C	-	-	C	B	B
Historical EPS Growth (3-5 Years)	2.10%	1.88%	10.10%	4.27%	1.67%	-19.28%
Projected EPS Growth (F1/F0)	76.87%	-40.17%	-1.80%	-77.37%	-77.33%	-300.92%
Current Cash Flow Growth	-14.59%	1.85%	5.54%	36.19%	11.53%	12.74%
Historical Cash Flow Growth (3-5 Years)	0.67%	6.40%	8.50%	23.10%	18.98%	4.10%
Current Ratio	2.55	2.17	1.37	1.20	2.91	1.91
Debt/Capital	50.49%	21.82%	41.80%	19.81%	21.82%	40.97%
Net Margin	7.20%	2.48%	10.46%	2.67%	2.28%	-15.21%
Return on Equity	34.62%	8.05%	14.93%	8.20%	5.32%	-8.08%
Sales/Assets	1.27	1.00	0.50	1.00	0.88	0.93
Projected Sales Growth (F1/F0)	12.77%	0.00%	-0.40%	-11.75%	-14.87%	-25.35%
Momentum Score	C	-	-	B	D	A
Daily Price Change	0.64%	0.65%	0.93%	1.26%	4.43%	3.61%
1-Week Price Change	1.55%	0.11%	0.01%	0.85%	3.38%	12.77%
4-Week Price Change	-2.98%	2.89%	-1.35%	-7.35%	10.72%	16.27%
12-Week Price Change	22.31%	7.16%	-0.80%	3.81%	21.98%	36.00%
52-Week Price Change	37.20%	-12.65%	-2.34%	-1.53%	-6.58%	-33.22%
20-Day Average Volume (Shares)	5,000,164	317,140	1,805,578	22,217	1,563,580	6,845,219
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	4.29%
EPS F1 Estimate 4-Week Change	1.85%	1.85%	0.44%	4.51%	-7.06%	7.29%
EPS F1 Estimate 12-Week Change	25.78%	1.12%	2.86%	-10.31%	-7.06%	-14.45%
EPS Q1 Estimate Monthly Change	2.05%	0.00%	0.26%	-4.66%	-20.63%	20.16%

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	C
Momentum Score	C
VGM Score	F

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.