

## NIKE, Inc. (NKE)

**\$112.29** (As of 08/28/20)

Price Target (6-12 Months): **\$118.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/23/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:F

Value: D

Growth: F

Momentum: C

## Summary

Shares of NIKE have outpaced the industry year to date owing to momentum in its digital business that gained prominence amid the coronavirus crisis. While store closures across North America, EMEA and APLA impacted results in fourth-quarter fiscal 2020, the company benefited from robust double-digit digital sales across all regions. Even as stores reopen, the company continues to witness strong digital trends, which demonstrates the strength of its brands and investments to improve digital consumer experiences. Moreover, the company benefited from Greater China returning to currency-neutral growth in the fiscal fourth quarter as stores in the region resumed operations. Nonetheless, the company reported lower than expected top and bottom line in the fiscal fourth quarter on soft revenues and gross margin due to coronavirus-related impacts.

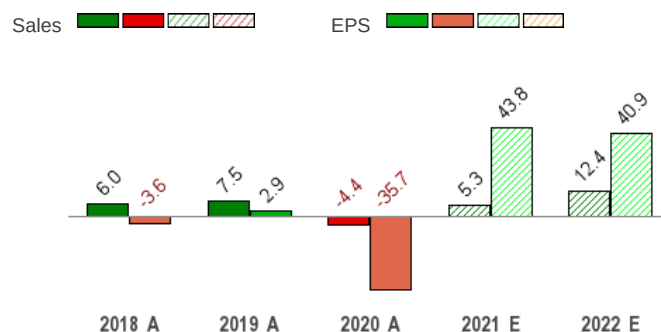
## Price, Consensus & Surprise



## Data Overview

|                                |                                    |
|--------------------------------|------------------------------------|
| 52-Week High-Low               | <b>\$112.79 - \$60.00</b>          |
| 20-Day Average Volume (Shares) | <b>5,712,855</b>                   |
| Market Cap                     | <b>\$175.2 B</b>                   |
| Year-To-Date Price Change      | <b>10.8%</b>                       |
| Beta                           | <b>0.77</b>                        |
| Dividend / Dividend Yield      | <b>\$0.98 / 0.9%</b>               |
| Industry                       | <b>Shoes and Retail Apparel</b>    |
| Zacks Industry Rank            | <b>Bottom 16% (212 out of 252)</b> |

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



|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>-2,650.0%</b>  |
| Last Sales Surprise           | <b>-13.1%</b>     |
| EPS F1 Estimate 4-Week Change | <b>2.1%</b>       |
| Expected Report Date          | <b>09/22/2020</b> |
| Earnings ESP                  | <b>6.2%</b>       |
| P/E TTM                       | <b>61.4</b>       |
| P/E F1                        | <b>48.8</b>       |
| PEG F1                        | <b>3.8</b>        |
| P/S TTM                       | <b>4.7</b>        |

## Sales Estimates (millions of \$)

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2022 | 10,479 E | 10,908 E | 11,601 E | 10,267 E | 44,259 E |
| 2021 | 9,051 E  | 9,919 E  | 10,746 E | 9,763 E  | 39,378 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 | \$0.72 E | \$0.76 E | \$0.99 E | \$0.63 E  | \$3.24 E |
| 2021 | \$0.41 E | \$0.55 E | \$0.81 E | \$0.56 E  | \$2.30 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 08/28/2020. The reports text is as of 08/31/2020.

## Overview

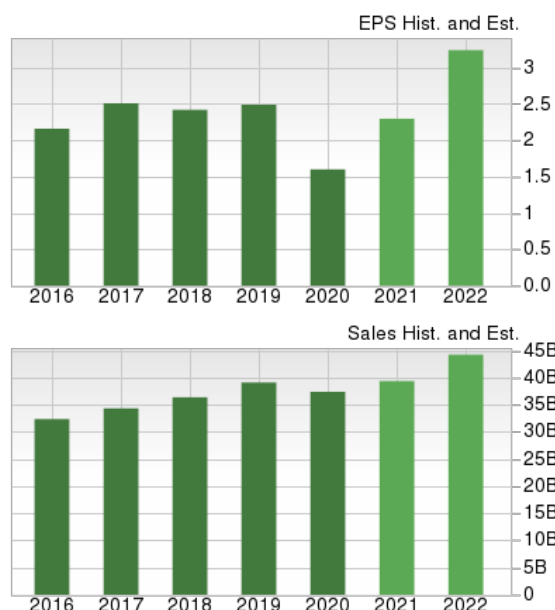
Headquartered in Beaverton, OR, NIKE Inc. was incorporated in 1967. The company is engaged in the business of designing, developing and marketing of athletic footwear, apparel, equipment and accessories, and services for men, women and children worldwide. With the help of a strong brand portfolio, including 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

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## Reasons To Buy:

- ▲ **Digital Business Plays Key Role:** Shares of NIKE gained 10.9% year to date outperforming the industry's growth of 6.5%. 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 in-store sales was partly compensated by robust double-digit digital sales across all regions. Notably, digital sales increased 75% year over year and 79% on a currency-neutral basis in the fiscal fourth quarter. Further, it drove nearly triple-digit acceleration in member digital demand. In all, digital sales accounted for nearly 30% of 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.
- NIKE's Greater China business began to recover in the fiscal fourth quarter, as the stores in the region reopened. Greater China returned to currency-neutral growth in the fiscal fourth quarter.
- In the fiscal fourth quarter, digital sales improved 80% each in North America and APLA, and 100% in EMEA and 53% in Greater China. Digital growth in North America reflected about triple-digit growth in the NIKE app. Notably, the NIKE app now represents 30% of the company's business in North America. Digital gains in EMEA reflected continued brand momentum and increased new member acquisition and engagement across its Training Club and Running Club apps. Notably, it witnessed active new member growth of nearly 200%, with more than 18 million workouts logged in the reported quarter. Further, growth in APLA was led by strength in Japan, Korea and Brazil, with the women's category growing double the rate of men's on Nike digital.
- ▲ **Decline in SG&A Expenses:** NIKE's SG&A expenses declined 6% to \$3,191 million in fourth-quarter fiscal 2020, including \$178 million of incremental bad debt expenses. Lower SG&A expenses resulted from company-wide cost management initiatives like reducing marketing expenses as most sporting events were canceled and retail store closures. Moreover, demand-creation expenses declined 19% due to a shift in retail and brand marketing expenses led by cancellation or delay in sporting events owing to the pandemic. Operating overhead expenses were down 1%, reflecting lower total wages and travel and related expenses, partially offset by higher bad debt expenses.
- ▲ **Store Re-openings Raise Hopes:** While NIKE did not provide any guidance for fiscal 2021 owing to the uncertainty surrounding the impacts of coronavirus on the economies globally, it remains hopeful of gains in quarters ahead as stores reopen. As of Jun 25, the company had nearly 90% of the NIKE-owned stores operational across the globe. The company, in general, expects some sequential improvements in the quarters ahead, as retail stores reopen and each market returns to normalized supply and demand. The company is witnessing improved retail traffic on a week-over-week basis, with higher conversion rates than the prior year. Based on these assumptions, it expects fiscal 2021 revenues to remain flat or rise from the prior year. It envisions revenues in the first half to be below the prior-year levels, but less than the decline witnessed in fourth-quarter fiscal 2020. Revenues for the second half are anticipated to improve significantly compared with the fiscal 2020 period owing to expectations of returning to normalized full-price selling across channels.
- ▲ **Greater China Business Shows Recovery:** NIKE's Greater China business began to recover in the fiscal fourth quarter, as the stores in the region reopened. Notably, Greater China returned to currency-neutral growth in the fiscal fourth quarter. Revenues in the region dropped 3% year over year (up 1% on a currency-neutral basis) in the fiscal fourth quarter. Currency-neutral revenues in the quarter benefited from improvement in every month, with robust double-digit growth in May. In fiscal 2020, revenues improved 8% (11% on a currency-neutral basis), reflecting the sixth consecutive year of double-digit currency-neutral growth in the region, despite the impacts of the coronavirus outbreak in the second half of the fiscal. Digital sales in Greater China were up 53% in the fiscal fourth quarter, which outpaced the industry. Moreover, the Nike app is resonating with consumers, with nearly 11 million downloads that accounted for more than 10% of total digital demand in the fiscal fourth quarter. As of Jun 25, the company had 100% of its store fleet in Greater China open. In June, the company has witnessed a return to positive comparable store sales in NIKE-owned stores with higher conversion and higher units per transaction, which more than offset lower traffic. NIKE digital growth has accelerated to triple-digits in June.
- ▲ **Financials Look Strong:** NIKE ended fiscal 2020 with strong liquidity, which included cash & short-term investments of \$8.8 billion, up \$4.1 billion from the last year. These included proceeds of the \$6-billion corporate bonds issued in March, offset by share repurchasing activity in the initial ten months of the fiscal year, dividend payouts and infrastructure investments. Additionally, the company secured a new \$2-billion credit facility, which adds to its existing credit facility of \$2 billion, hence providing enough liquidity amid the pandemic. The company's cash position remains sufficient to meet short term obligations of \$696 million as of May 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. In fiscal 2020, the company spent \$4.5 billion on shareholder returns, including dividend payouts of \$1.5 billion and share repurchases worth \$3 billion. Moreover, management declared quarterly dividend of 24.5 cents per share on its Class A and Class B shares, payable on Jul 1. Notably, NIKE has a dividend payout ratio of 53.6%, annualized dividend yield of 1.05% and free cash flow yield of 2.35%. With an annual free cash flow return on investment of 23.37%, ahead of the industry's nearly 22.71%; the dividend payment is likely to be sustainable. In the fiscal fourth quarter, NIKE bought back 1.9 million shares for \$159 million, before suspending share repurchase activity in March to preserve liquidity amid the pandemic. As of May 31, the company had repurchased about 45.2 million shares for \$4.0 billion under its four-year share repurchase program of \$15 billion approved in June 2018. Consequently, it had a share repurchasing capacity worth \$11 billion remaining under the current program.

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## Reasons To Sell:

▼ **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 61.36x, which is above the median level of 34.72x and is at par with the high level, scaled in the past year. On the contrary, the trailing 12-month P/E ratio for the industry is 54.19x and for the S&P 500 is 24.89x. Given these factors, we believe that the stock is quite stretched from the P/E aspect.

▼ **Dismal Q4 Performance:** NIKE reported lower-than-expected top and bottom lines for fourth-quarter fiscal 2020 due to the impacts of the coronavirus (COVID-19) outbreak across most regions. Results were marred by coronavirus-led store closures across most of the geographies, except Greater China. The company reported a loss per share of 51 cents, reflecting a loss reported for the first time in several years. The bottom line was affected by a top-line decline and soft gross margin due to coronavirus-related impacts, partly offset by a decrease in SG&A expenses. Further, revenues declined 38% year over year, and 36% in constant-currency. The decline resulted from the closing of majority of NIKE-owned and partner stores in North America, EMEA and APLA due to the coronavirus pandemic, partially offset by growth in Greater China.

Notably, the company had closed nearly 90% of its company-owned stores for eight weeks in the reported quarter to safeguard employees and consumers and prevent the spread of the virus. Furthermore, the company's wholesale partners remained closed during the period, resulting in a 50% decline in product shipments to wholesale customers. This also led to a decline in total revenues and increased inventory levels.

▼ **Soft Gross Margin:** NIKE's gross profit fell 49% year over year, while gross margin contracted 820 basis points (bps) in the fiscal fourth quarter. The decline was mainly attributed to higher product costs, which included higher tariffs in the United States and factory cancellation charges. Additionally, increased inventory obsolescence reserves adverse supply chain fixed cost rate on lower wholesale shipments volume due to COVID-19, impacted gross margins. These were, however, partly offset by higher full-price average selling prices despite increased wholesale discounts.

▼ **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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NIKE's fourth-quarter fiscal 2020 bottom line was impacted by store closures across most regions that led to revenue decline, along with soft gross margin due to coronavirus-related impacts.

## Last Earnings Report

### NIKE Reports Q4 Loss, Sales Miss Estimates

NIKE reported lower-than-expected top and bottom lines for fourth-quarter fiscal 2020 due to the impacts of the coronavirus (COVID-19) outbreak across most regions. Results were marred by coronavirus-led store closures across most of the geographies, except Greater China.

Driven by the uncertainty regarding the impacts of coronavirus on the economies globally, the company did not provide any guidance for fiscal 2021. Nevertheless, the company, in general, expects some sequential improvements in the quarters ahead, as retail stores reopen and each market returns to normalized supply and demand.

Based on these assumptions, the company expects fiscal 2021 revenues to remain flat or rise from the prior year. It envisions revenues in the first half to be below the prior-year levels, but less than the decline witnessed in fourth-quarter fiscal 2020. Revenues for the second half are anticipated to improve significantly compared with the fiscal 2020 period owing to expectations of returning to normalized full-price selling across channels.

### Earnings & Revenues

In the reported quarter, the athletic apparel, footwear and accessory retailer reported a loss per share of 51 cents against earnings of 62 cents in the year-ago quarter. Further, the bottom line compared unfavorably with the Zacks Consensus Estimate of earnings of 2 cents. The bottom line was affected by a top-line decline and soft gross margin due to coronavirus-related impacts, partly offset by a decrease in SG&A expenses.

Revenues of the Swoosh brand owner declined 38% to \$6,313 million and missed the Zacks Consensus Estimate of \$7,264 million. On a currency-neutral basis, revenues slumped 36%. The decline resulted from the closing of majority of NIKE-owned and partner stores in North America, EMEA and APLA due to the coronavirus pandemic, partially offset by growth in Greater China. Notably, the company had closed nearly 90% of its company-owned stores for eight weeks in the reported quarter to safeguard employees and consumers and prevent the spread of the virus. Furthermore, the company's wholesale partners remained closed during the period, resulting in a 50% decline in product shipments to wholesale customers. This also led to a decline in total revenues and increased inventory levels.

However, the top line benefited from robust double-digit digital sales across all regions. Notably, digital sales increased 75% in the fiscal fourth quarter and 79% on a currency-neutral basis. Moreover, digital sales accounted for nearly 30% of total revenues in the reported quarter.

### Operating Segments

Revenues for the **NIKE Brand** plunged 38% to \$6,012 million, while constant-dollar revenues for the brand were down 36%.

Within the NIKE Brand, revenues in **North America** fell 46% on a reported and currency-neutral basis due to store closures. However, NIKE digital reported 80% growth, with about triple-digit growth in the NIKE app. Notably, the NIKE app now represents 30% of the company's business in North America. Further, retail sales for the brand grew double digits in North America, as stores began reopening in mid-May. However, the company notes that physical retail traffic remains below the prior-year levels. As of Jun 25, the company had nearly 85% of NIKE-owned stores operational in North America.

In **EMEA**, the company's revenues declined 46% (down 44% on a currency-neutral basis). Meanwhile, NIKE digital grew about 100% in EMEA owing to continued brand momentum and increased new member acquisition and engagement across its Training Club and Running Club apps. Notably, it witnessed active new member growth of nearly 200%, with more than 18 million workouts logged in the reported quarter. Moreover, NIKE gained market share in both footwear and apparel during the quarter, becoming the No.1 apparel brand in key markets for the first time. With retail stores beginning to reopen in May, the company is witnessing gradual improvement in traffic and store sales in various markets. As of Jun 25, it had nearly 90% of stores operational in EMEA.

In **Greater China**, revenues dropped 3% year over year (up 1% on a currency-neutral basis) in the fiscal fourth quarter. Currency-neutral revenues in the quarter benefited from improvement in every month, with robust double-digit growth in May. For fiscal 2020, revenues improved 8% (11% on a currency-neutral basis), reflecting the sixth consecutive year of double-digit currency-neutral growth in the region, despite the impacts of the coronavirus outbreak in the second half of the fiscal. Digital sales in Greater China were up 53% in the fiscal fourth quarter, which outpaced the industry. Moreover, the Nike app is resonating with consumers, with nearly 11 million downloads that accounted for more than 10% of total digital demand in the fiscal fourth quarter. As of Jun 25, the company had 100% of its store fleet in Greater China open.

In **APLA**, NIKE witnessed a 42% revenue decline (down 39% on a currency-neutral basis) due to varied COVID-19 impacts across countries in the region. Digital sales in the region improved nearly 80%, led by strength in Japan, Korea and Brazil, with the women's category growing double the rate of men's on Nike digital. As of Jun 25, about 65% of NIKE-owned stores were operational in the region, with a higher percentage in South Korea, Japan and Australia. Meanwhile, stores in Latin America are still closed due to the ongoing efforts to combat the pandemic.

Revenues at the **Converse** brand declined 38% to \$305 million. On a currency-neutral basis, revenues of the segment fell 36%.

### Costs & Margins

Gross profit fell 49% to \$2,353 million, while gross margin contracted 820 basis points (bps) to 37.3%. The decline was mainly attributed to higher product costs, which included higher tariffs in the United States and factory cancellation charges. Additionally, increased inventory obsolescence reserves adverse supply chain fixed cost rate on lower wholesale shipments volume due to COVID-19, impacted gross margins. These were, however, partly offset by higher full-price average selling prices despite increased wholesale discounts.

| Quarter Ending   | 05/2020      |
|------------------|--------------|
| Report Date      | Jun 25, 2020 |
| Sales Surprise   | -13.09%      |
| EPS Surprise     | -2,650.00%   |
| Quarterly EPS    | -0.51        |
| Annual EPS (TTM) | 1.83         |

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Selling and administrative expenses declined 6% to \$3,191 million, including \$178 million of incremental bad debt expenses. Lower SG&A expenses resulted from company-wide cost management initiatives like reducing marketing expenses as most sporting events were canceled and retail store closures. As a percentage of sales, SG&A expenses increased 1,710 bps to 50.5%.

Notably, demand-creation expenses fell 19% year over year to \$823 million due to a shift in retail and brand marketing expenses led by cancellation or delay in sporting events owing to the pandemic. Operating overhead expenses were down 1% to \$2,368 million, reflecting lower total wages and travel and related expenses, partially offset by higher bad debt expenses.

#### **Balance Sheet & Shareholder-Friendly Moves**

NIKE ended fiscal 2020 with strong liquidity, which included cash & short-term investments of \$8.8 billion, up \$4.1 billion from the last year. These included proceeds of the \$6-billion corporate bonds issued in March, offset by share repurchasing activity in the initial ten months of the fiscal year, dividend payouts and infrastructure investments. Additionally, the company secured a new \$2-billion credit facility, which adds to its existing credit facility of \$2 billion, hence providing enough liquidity amid the pandemic.

Moreover, it had a long-term debt (excluding current maturities) of \$9,406 million and shareholders' equity of \$8,055 million as of the end of fiscal 2020. As of May 31, 2020, inventories increased 31% to \$7,367 million, reflecting the impacts of the coronavirus-led store closures in North America, EMEA and APLA as well as lower wholesale shipments in the fiscal fourth quarter.

In the fiscal fourth quarter, NIKE bought back 1.9 million shares for \$159 million, before suspending share repurchase activity in March to preserve liquidity amid the pandemic.

In fiscal 2020, the company spent \$4.5 billion on shareholder returns, including dividend payouts of \$1.5 billion and share repurchases worth \$3 billion. As of May 31, the company had repurchased about 45.2 million shares for \$4.0 billion under its four-year share repurchase program of \$15 billion approved in June 2018. Consequently, it had a share repurchasing capacity worth \$11 billion remaining under the current program.

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## Valuation

NIKE shares are up 10.9% in the year-to-date period and 32.9% for the trailing 12-month period. Stocks in the Zacks sub-industry is up 6.5% but the Zacks Consumer Discretionary sector is down 0.5% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 28.3% and 9.3%, respectively.

The S&P 500 index is up 9% in the year-to-date period and 20.2% in the past year.

The stock is currently trading at 44.3X forward 12-month earnings, which compares to 36.92X for the Zacks sub-industry, 34.98X for the Zacks sector and 23.49X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.43X and as low as 19.92X, with a 5-year median of 26.34X. Our Neutral recommendation indicates that the stock will perform worse than the market. Our \$118 price target reflects 46.55X 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       | 44.3  | 36.92        | 34.98  | 23.49   |
|                           | 5-Year High   | 44.43 | 36.92        | 34.98  | 23.49   |
|                           | 5-Year Low    | 19.92 | 18.63        | 16.13  | 15.25   |
|                           | 5-Year Median | 26.34 | 23.51        | 19.86  | 17.58   |
| P/S F12M                  | Current       | 4.31  | 3.45         | 2.5    | 3.84    |
|                           | 5-Year High   | 4.31  | 3.45         | 2.95   | 3.84    |
|                           | 5-Year Low    | 2.21  | 2.04         | 1.68   | 2.53    |
|                           | 5-Year Median | 2.94  | 2.68         | 2.5    | 3.05    |
| EV/EBITDA TTM             | Current       | 37.9  | 33.03        | 11.47  | 13.36   |
|                           | 5-Year High   | 37.9  | 33.03        | 17.79  | 13.36   |
|                           | 5-Year Low    | 14.1  | 12.75        | 8.34   | 8.25    |
|                           | 5-Year Median | 18.04 | 16.5         | 12.22  | 10.93   |

As of 08/28/2020

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## Industry Analysis Zacks Industry Rank: Bottom 16% (212 out of 252)



## Top Peers

| Company (Ticker)                   | Rec          | Rank |
|------------------------------------|--------------|------|
| Deckers Outdoor Corporation (DECK) | Outperform   | 2    |
| Adidas AG (ADDYY)                  | Neutral      | 3    |
| Columbia Sportswear Company (COLM) | Neutral      | 3    |
| lululemon athletica inc. (LULU)    | Neutral      | 3    |
| Steven Madden, Ltd. (SHOO)         | Neutral      | 4    |
| Skechers U.S.A., Inc. (SKX)        | Neutral      | 3    |
| V.F. Corporation (VFC)             | Neutral      | 3    |
| Under Armour, Inc. (UAA)           | Underperform | 4    |

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)                       | Neutral   | -          | -         | Neutral        | Neutral   | Underperform |
| Zacks Rank (Short Term)                                | 3         | -          | -         | 3              | 3         | 4            |
| VGM Score                                              | F         | -          | -         | B              | A         | B            |
| Market Cap                                             | 175.16 B  | 1.51 B     | 23.71 B   | 59.22 B        | 4.90 B    | 4.61 B       |
| # of Analysts                                          | 14        | 5          | 14        | 8              | 5         | 16           |
| Dividend Yield                                         | 0.87%     | 0.00%      | 1.63%     | 0.00%          | 0.00%     | 0.00%        |
| Value Score                                            | D         | -          | -         | D              | A         | C            |
| Cash/Price                                             | 0.05      | 0.26       | 0.07      | 0.05           | 0.32      | 0.24         |
| EV/EBITDA                                              | 42.93     | 7.47       | 13.37     | 13.19          | 8.22      | 12.96        |
| PEG F1                                                 | 3.75      | 3.33       | 3.08      | 24.19          | NA        | NA           |
| P/B                                                    | 21.72     | 2.01       | 3.22      | 7.49           | 2.01      | 3.24         |
| P/CF                                                   | 43.13     | 9.17       | 12.90     | 16.89          | 10.40     | 13.39        |
| P/E F1                                                 | 48.82     | 30.95      | 21.82     | 123.84         | 55.61     | NA           |
| P/S TTM                                                | 4.68      | 0.89       | 2.52      | 2.60           | 1.05      | 1.02         |
| Earnings Yield                                         | 2.05%     | 2.64%      | 4.41%     | 0.81%          | 1.80%     | -7.29%       |
| Debt/Equity                                            | 1.17      | 0.48       | 0.74      | 0.23           | 0.73      | 1.32         |
| Cash Flow (\$/share)                                   | 2.60      | 2.85       | 6.94      | 8.95           | 2.98      | 0.76         |
| Growth Score                                           | F         | -          | -         | A              | B         | B            |
| Historical EPS Growth (3-5 Years)                      | 4.49%     | 2.97%      | 10.41%    | 4.27%          | 1.67%     | -19.28%      |
| Projected EPS Growth (F1/F0)                           | 43.57%    | -42.86%    | -4.94%    | -77.53%        | -75.20%   | -317.28%     |
| Current Cash Flow Growth                               | -14.59%   | 0.00%      | 5.22%     | 36.19%         | 11.53%    | 12.74%       |
| Historical Cash Flow Growth (3-5 Years)                | 0.67%     | 5.48%      | 8.50%     | 23.10%         | 18.98%    | 4.10%        |
| Current Ratio                                          | 2.48      | 2.50       | 1.35      | 1.25           | 2.91      | 1.91         |
| Debt/Capital                                           | 53.87%    | 42.21%     | 43.86%    | 18.43%         | 42.21%    | 56.92%       |
| Net Margin                                             | 6.79%     | 2.84%      | 10.25%    | 2.67%          | 3.08%     | -15.21%      |
| Return on Equity                                       | 32.95%    | 8.64%      | 14.66%    | 7.93%          | 6.24%     | -8.08%       |
| Sales/Assets                                           | 1.36      | 1.05       | 0.50      | 1.00           | 0.92      | 0.93         |
| Projected Sales Growth (F1/F0)                         | 5.28%     | -0.40%     | -1.43%    | -12.93%        | -14.13%   | -26.22%      |
| Momentum Score                                         | C         | -          | -         | C              | B         | C            |
| Daily Price Change                                     | 1.31%     | 0.08%      | 0.71%     | 0.08%          | 1.44%     | 2.32%        |
| 1-Week Price Change                                    | 3.12%     | -2.95%     | -1.45%    | -2.95%         | -2.99%    | -9.40%       |
| 4-Week Price Change                                    | 15.98%    | 1.18%      | 4.59%     | 8.11%          | 5.08%     | -11.35%      |
| 12-Week Price Change                                   | 10.87%    | 2.93%      | 4.86%     | 4.55%          | -9.77%    | -2.50%       |
| 52-Week Price Change                                   | 31.52%    | -10.60%    | 3.09%     | 2.27%          | -0.86%    | -45.49%      |
| 20-Day Average Volume (Shares)                         | 5,712,855 | 88,700     | 1,887,168 | 31,268         | 1,243,374 | 7,257,167    |
| EPS F1 Estimate 1-Week Change                          | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%     | 0.00%        |
| EPS F1 Estimate 4-Week Change                          | 2.10%     | 0.00%      | 0.79%     | -12.86%        | 0.00%     | -47.20%      |
| EPS F1 Estimate 12-Week Change                         | -12.61%   | -9.21%     | 3.43%     | -28.08%        | 0.95%     | -59.51%      |
| EPS Q1 Estimate Monthly Change                         | 5.46%     | 0.00%      | 0.00%     | -5.99%         | 0.00%     | -95.90%      |

Source: Zacks Investment Research



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## Zacks Style Scores

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

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

|                |          |
|----------------|----------|
| Value Score    | <b>D</b> |
| Growth Score   | <b>F</b> |
| Momentum Score | <b>C</b> |
| VGM Score      | <b>F</b> |

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

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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