# Ollies Bargain Outlet (OLLI)

**$84.37** (As of 06/23/21)

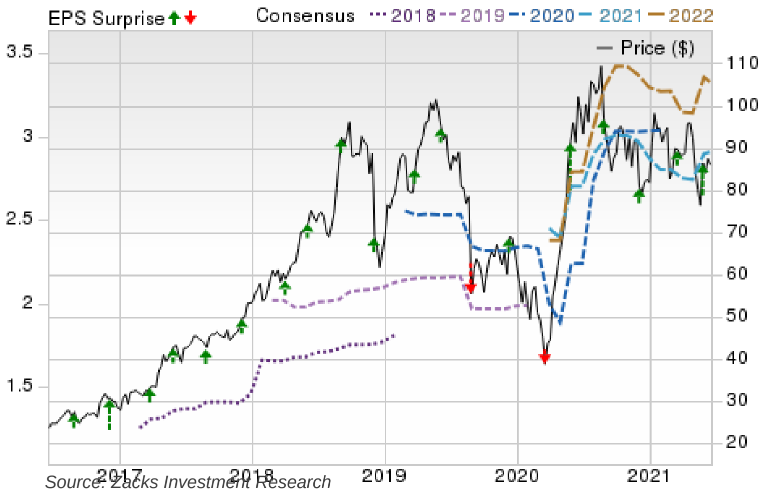
Price Target (6-12 Months): **$89.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:** (Since: 03/15/21) Prior Recommendation: Underperform | **Neutral** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5) | **3-Hold** |
| | Zacks Style Scores: | VGM:C |
| | Value: C \| Growth: C \| Momentum: B | |

## Summary

Shares of Ollie's Bargain have outpaced the industry in the past six months. The company's business operating model of buying cheap and selling cheap, cost-containment efforts and expansion of customer reward program — Ollie's Army, reinforce its position in the industry. These have been contributing to the company's performance. The top and the bottom lines continued to rise year over year in first-quarter fiscal 2021, and also beat the Zacks Consensus Estimate. The company also witnessed decent comparable store sales growth. On its last earnings call management stated that comparable store sales are progressing ahead of expectations. Looking ahead, the company may face difficult year-over-year comparisons, as pandemic benefits are lapped. It expects fiscal gross margin to take a hit from ongoing supply chain pressure.

## Price, Consensus & Surprise




*Source: Zacks Investment Research*

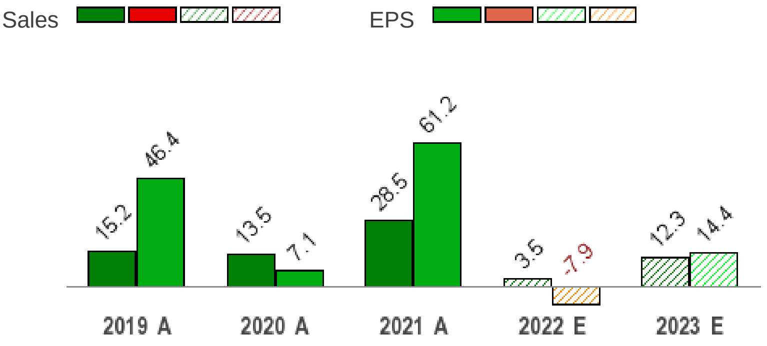
## Data Overview

| | |
|---|---|
| 52-Week High-Low | **$123.52 - $75.75** |
| 20-Day Average Volume (Shares) | **1,046,264** |
| Market Cap | **$5.5 B** |
| Year-To-Date Price Change | **3.2%** |
| Beta | **1.24** |
| Dividend / Dividend Yield | **$0.00 / 0.0%** |
| Industry | **Consumer Products - Staples** |
| Zacks Industry Rank | **Bottom 12% (221 out of 252)** |

| | |
|---|---|
| Last EPS Surprise | **21.2%** |
| Last Sales Surprise | **6.7%** |
| EPS F1 Estimate 4-Week Change | **6.3%** |
| Expected Report Date | **08/26/2021** |
| Earnings ESP | **-1.7%** |

| | |
|---|---|
| P/E TTM | **24.4** |
| P/E F1 | **29.0** |
| PEG F1 | **1.2** |
| P/S TTM | **2.9** |

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




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2023 | 492 E | 495 E | 496 E | 645 E | 2,103 E |
| 2022 | 452 A | 436 E | 424 E | 561 E | 1,872 E |
| 2021 | 349 A | 529 A | 414 A | 516 A | 1,809 A |

## EPS Estimates

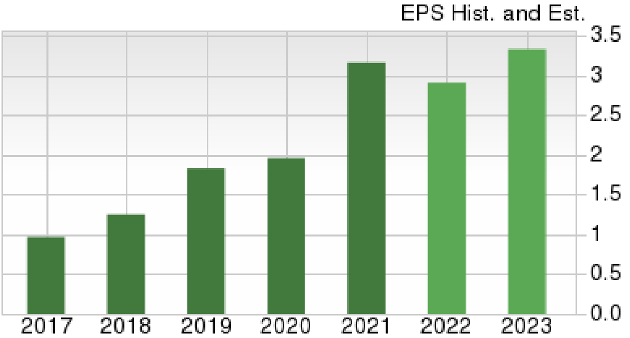
| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2023 | $0.84 E | $0.63 E | $0.71 E | $1.22 E | $3.33 E |
| 2022 | $0.80 A | $0.57 E | $0.55 E | $1.00 E | $2.91 E |
| 2021 | $0.49 A | $1.04 A | $0.65 A | $0.97 A | $3.16 A |

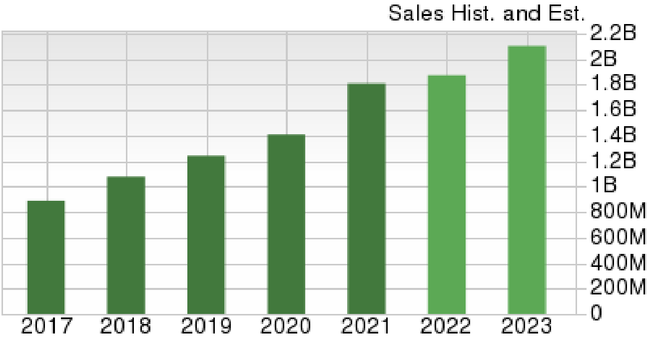
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/23/2021. The report's text and the analyst-provided price target are as of 06/24/2021.

## Overview

Founded in 1982 and headquartered in Harrisburg, PA, Ollie's Bargain Outlet Holdings, Inc. is a value retailer of brand name merchandise at drastically reduced prices. The company offers products principally under Ollie's, Ollie's Bargain Outlet, Good Stuff Cheap, Ollie's Army, Real Brands Real Cheap!, Real Brands! Real Bargains!, Sarasota Breeze, Steelton Tools, American Way and Commonwealth Classics. As of May 27, 2021, the company operated 405 outlets in 28 states.




The company, which came out with its IPO in July 2015, offers products under the following merchandise category —

Housewares (15.7% of 2020 Net Sales): cooking utensils, dishes, appliances, plastic containers, cutlery, storage and garbage bags, detergents and cleaning supplies, cookware and glassware, fans and space heaters, candles, frames and giftware.

Food (10.2%): packaged food including coffee, bottled non-carbonated beverages, salty snacks, condiments, sauces, spices, dry pasta, canned goods, cereal and cookies.

Bed and bath (10.9%): household goods including bedding, towels, curtains and associated hardware.

Books and stationery (7.6%): novels, children's, how-to, business, cooking, inspirational and coffee table books along with DVDs, greeting cards and various office supplies and party goods.

Floor coverings (8.5%): laminate flooring, commercial and residential carpeting, area rugs and floor mats.

Electronics (6.1%): air conditioners, home electronics, cellular accessories and as seen on television.

Toys (6.2%): dolls, action figures, puzzles, educational toys, board games and other related items.

Health and beauty aids (7.7%): personal care, hair care, oral care, health and wellness, over-the-counter medicine, first aid, sun care, and personal grooming.

Other (27.1%): hardware, candy, clothing, sporting goods, pet products, luggage, automotive, seasonal, furniture, summer furniture and lawn & garden.


Source: Zacks Investment Research

## Reasons To Buy:

> Ollie's Bargain's business model of "buying cheap and selling cheap", cost-containment efforts and customer reward program fortify its position.

- **Positive Sales & Earnings Surprise Continues:** Ollie's Bargain maintained stellar performance in first-quarter fiscal 2021, wherein both the top and the bottom lines not only surpassed the Zacks Consensus Estimate but also improved year over year. It was the fifth straight quarter of sales and earnings beat. Notably, the company witnessed decent comparable store sales growth. Ollie's Army continued to be a major sales driver, and membership just kept increasing, up 13.7%. It also benefitted from higher consumer spending stemming from the third-round of federal relief funds for the ongoing COVID-19 pandemic. The company posted adjusted earnings of 80 cents a share, which beat the Zacks Consensus Estimate of 66 cents and surged 64.9% from 49 cents reported in the year-ago quarter. Net sales increased 29.5% year over year to $452.5 million and surpassed the consensus mark of $423.9 million. Shares of Ollie's Bargain have gained 2.2% in the past six months against the industry's decline of 13%.

- **Decent Q1 Comps Performance:** Ollie's Bargain witnessed decent comparable store sales growth during the first quarter of fiscal 2021. Comparable store sales climbed 18.8% during the quarter, driven by significant increase in average basket and transactions. The company's top performing departments included bed and bath, flooring, lawn and garden, electronics, books and toys. This followed an increase of 8.8% in the preceding quarter. Management highlighted that its current quarter-to-date through May 27 comparable store sales are progressing ahead of expectations. Undeniably, the company has been efficiently responding to changing consumer demand amid the pandemic.

- **Strategic Initiatives on Track:** Ollie's Bargain's business model of "buying cheap and selling cheap", cost-containment efforts, focus on store productivity and expansion of customer reward program, Ollie's Army, reinforce its position. For fiscal 2020, roughly 75% of sales were from Ollie's Army members, and the base of loyal members grew by 13.6% during the fiscal year. Also, the company has made concerted efforts to be debt free and now consist solely of capital lease obligations. Cumulatively, these have positioned the stock to augment both top and bottom-line performance in the long run. Net sales have surged at a CAGR of 19.3% from $890.3 million in fiscal 2016 to $1,809 million in fiscal 2020, while net income has soared from $59.8 million to $242.7 million during the aforementioned period.

- **"Good Stuff Cheap":** The company offers brand name merchandise across a broad range of categories at significantly low prices. The company's results are highly dependent on the availability of brand name and closeout merchandise at compelling prices. Brand name and closeout merchandise represented about 65% and non-closeout goods and private label products collectively represented roughly 35% of fiscal 2020 merchandise purchases, reflecting the increase in personal protective equipment ("PPE") purchases, which were primarily non-closeout, due to the COVID-19 pandemic. Excluding the impact of PPE purchases, brand name and closeout merchandise represented approximately 70% and non-closeout goods and private label products collectively represented approximately 30% of 2020 merchandise purchases. Moreover, the company sells merchandise at prices up to 70% lower than the department and fancy stores, and up to 20-50% lower than mass-market retailers.

- **Impressive Top-Line Performance:** During the first quarter of fiscal 2021, net sales improved 29.5% year over year to $452.5 million and surpassed the consensus mark of $423.9 million. Surge in the top line can be attributed to comparable store sales increase and new store unit growth coupled with great deal flow. Further, management stated that sales benefitted from the company's efforts to create an alignment between value driven merchandise and customer demand. This followed an increase of 22.1%, 26.7% and 58.5% in net sales in the preceding three quarters. Net sales have surged at a CAGR of 19.3% from $890.3 million in fiscal 2016 to $1,809 million in fiscal 2020.

- **Store Growth Opportunity:** Management indicated that as per internal estimates and third-party research conducted by Hoffman Strategy Group there is potential for more than 1,050 national locations. The company's new store real estate model is flexible and focuses on second generation sites ranging in size from 25,000-35,000 square feet. The company has increased its store base at a CAGR of 13.4% from 234 stores in fiscal 2016 to 388 stores in fiscal 2020. We note that the company has opened 31, 34, 37, 42 and 46 stores in fiscals 2016, 2017, 2018, 2019 and 2020, respectively. During the first quarter of fiscal 2021, Ollie's Bargain opened 11 new stores and closed two locations, thereby taking the total count to 397 stores in 25 states as of May 1. Among the new stores opened, two were essentially relocations. Additionally, management informed that since the end of the first quarter through May 27, the company has opened another eight stores, taking the total to 19 stores opened this year. Management plans to open 50 stores including two relocations in fiscal 2021. Meanwhile, the company has entered into three new states — Kansas, Missouri and Vermont. As of May 27, the company operated 405 stores in 28 states.

- **Financial Flexibility:** Ollie's Bargain ended first-quarter fiscal 2021 with cash and cash equivalents of $472.2 million (as of May 1, 2021), reflecting an increase from $447.1 million as of Jan 30, 2021 and $119.4 million as of May 2, 2020. The company had no borrowings outstanding under its $100 million revolving credit facility and $91.1 million of availability under the facility, as of the end of the first quarter of fiscal 2021. As of May 1, 2021, its total borrowings (comprising solely of finance lease obligations) were $0.9 million.

## Reasons To Sell:

Industry experts have cautioned about uncertainty related to the pandemic and said that it is hard to predict the impact of the health and financial crisis on consumer behavior.

- **COVID-19 Related Headwinds:** Industry experts have cautioned about uncertainty related to the pandemic and said that it is hard to predict its impacts on the economy, the consumer and fiscal 2021 results. Ollie's Bargain is likely to witness tough year-over-year comparison as COVID-19 benefits are lapped. The company's second-quarter fiscal 2021 might witness difficult comparisons from both sales and net income perspective, given outstanding performance in fiscal 2020. The company's third and fourth quarter comparisons will also be challenging (but less than the second quarter) owing to impressive performance and top line gaining from economic stimulus in fiscal 2020. Analysts believe that COVID-19 pandemic could impact the company's operations and the operations of its suppliers and vendors. Moreover, higher payroll expenses at stores and distribution facilities and incremental cleaning and safety costs at all its facilities may impact margins.

- **SG&A Expenses Continue to Increase:** Selling, general and administrative expenses have been increasing for quite some time now. In the first quarter of fiscal 2021, the same climbed 16.3% to $104.4 million from the prior-year quarter's levels. This was due to increase in number of stores and higher store payroll as well as variable selling expenses. This followed an increase of 20.3%, 17% and 25% in the preceding three quarters. Certainly, any deleverage in SG&A expenses is likely to show on the company's operating income, unless fully offset by substantial increase in net sales.

- **Gross Margin to Take a Hit:** Management expects continued headwinds in gross margin due to the ongoing supply chain pressures impacting all retailers, including higher transportation expenses and increased labor costs. The company continues to envision gross margin in the band of 39.7-39.8% for fiscal 2021.

- **Stock Looks Stretched:** Considering price-to-earnings (P/E) ratio, the stock looks pretty overvalued when compared with the industry as well as the S&P 500. The stock has a forward 12-month P/E ratio of 29.15, which is below the median level of 30.96 and the high level of 43.46 scaled in the past one year. On the contrary, the forward 12-month P/E ratios for the industry and the S&P 500 are 23.71 and 21.85 respectively.

- **Stiff Competition:** Ollie's Bargain faces stiff competition from discount, closeout, mass merchant, department, grocery, drug, convenience, hardware, variety, online and other specialty stores. This may result in loss of market share as well as fall in sales and operating margins. Competitors with larger number of stores, greater market presence and better financial resources will continue to weigh on the company's results.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. This may adversely impact its growth and profitability.

## Last Earnings Report

### Ollie's Bargain Q1 Earnings Top Estimates, Comps Up Y/Y

| Quarter Ending | 04/2021 |
|---|---|
| Report Date | May 27, 2021 |
| Sales Surprise | 6.74% |
| EPS Surprise | 21.21% |
| Quarterly EPS | 0.80 |
| Annual EPS (TTM) | 3.46 |

Ollie's Bargain Outlet Holdings, Inc. maintained stellar performance in first-quarter fiscal 2021, with the top and the bottom line surpassing the Zacks Consensus Estimate as well as rising year over year. It was the fifth straight quarter of sales and earnings beat. Notably, the company witnessed decent comparable store sales growth.

Management highlighted that its current quarter-to-date through May 27 comparable store sales are progressing ahead of expectations. The company is on track with executing long-term growth opportunities and expanding its store base. Undeniably, management continues to remain cautious regarding the impact of the pandemic upon its business.

### Here’s How the Top & the Bottom Lines Fared

Ollie’s Bargain posted adjusted earnings of 80 cents a share, which beat the Zacks Consensus Estimate of 66 cents and surged 64.9% from 49 cents reported in the year-ago quarter.

Net sales increased 29.5% year over year to $452.5 million and surpassed the consensus mark of $423.9 million. Surge in the top line can be attributed to comparable store sales increase and new store unit growth coupled with great deal flow. Further, management highlighted that sales during the quarter benefitted from the company’s efforts to create an alignment between value driven merchandise and customer demand. It also benefitted from higher consumer spending stemming from the third-round of federal relief funds for the ongoing COVID-19 pandemic.

Markedly, comparable store sales climbed 18.8% during the quarter, driven by significant rise in average basket and transactions. The company’s top performing departments included bed and bath, flooring, lawn and garden, electronics, books and toys.

### A Look Into Margins

Gross profit surged 30.1% year over year to $182.6 million during the quarter under review, while gross margin expanded 20 basis points (bps) to 40.4%. The upside can be attributed to improvement in the merchandise margin, partly offset by deleveraging of supply chain expenses due to higher transportation costs.

SG&A expenses increased 16.3% to $104.4 million from the prior-year quarter’s levels. This was due to increase in number of stores and higher store payroll as well as variable selling expenses. As a percentage of net sales, SG&A expenses declined 260 bps to 23.1%. The decline was caused by significant leverage in occupancy, payroll and other costs owing to comparable store sales growth along with cost-containment efforts.

Operating income rose 65.7% to $71.2 million in the first quarter. Operating margin increased 340 basis points to 15.7% as a result of leveraging of all expense components stemming from rise in comparable store sales and increase in gross margin.

Adjusted EBITDA increased 59.2% to $79.2 million during the quarter under review. Adjusted EBITDA margin increased 330 bps to 17.5%.

### Store Update

During the first quarter, Ollie’s Bargain opened 11 new stores and closed two locations, thereby taking the total count to 397 stores in 25 states. Among the new stores opened, two were essentially relocations. Additionally, management informed that since the end of the first quarter, the company has opened another eight stores, taking the total to 19 stores opened this year. The company plans to open 50 stores this fiscal, including 2 relocations.

### Other Financial Aspects

Ollie’s Bargain ended the quarter with cash and cash equivalents of $472.2 million (as of May 1, 2021), reflecting significant increase from $119.4 million as of May 2, 2020. The company had no borrowings under its $100-million revolving credit facility and $91.1 million of availability under the facility, as of the end of first-quarter fiscal 2021.

As of May 1, 2021, its total borrowings (comprising solely of finance lease obligations) were $0.9 million. Long-term debt was $0.6 million, while stockholders’ equity was $ 1,386.6 million. Inventories, as of the end of first-quarter fiscal 2021, increased 3.3% to $355.2 million. The company incurred capital expenditures of $9.5 million in the first quarter.

The company invested nearly $9.6 million in cash to repurchase 110,622 shares. As at the end of the first quarter, the company had $190.4 million worth shares remaining under its current repurchase program. Subsequent to quarter-end, the company invested $20 million to repurchase an additional 251,948 shares. This resulted in $170.4 million of remaining capacity under its current share repurchase program.

## Valuation

Ollie's Bargain shares are up 3.2% in the year-to-date period but down nearly 14.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are up 3.7% and 4.7%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is down 13.1% but the sector is up 21.6%.

The S&P 500 index is up 13.7% in the year-to-date period and 39.6% in the past year.

The stock is currently trading at 27.44X forward 12-month earnings, which compares to 23.57X for the Zacks sub-industry, 20.28X for the Zacks sector and 21.66X for the S&P 500 index.

Over the past five years, the stock has traded as high as 49.07X and as low as 14.43X, with a 5-year median of 33.15X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $89 price target reflects 28.95X forward 12-month earnings.

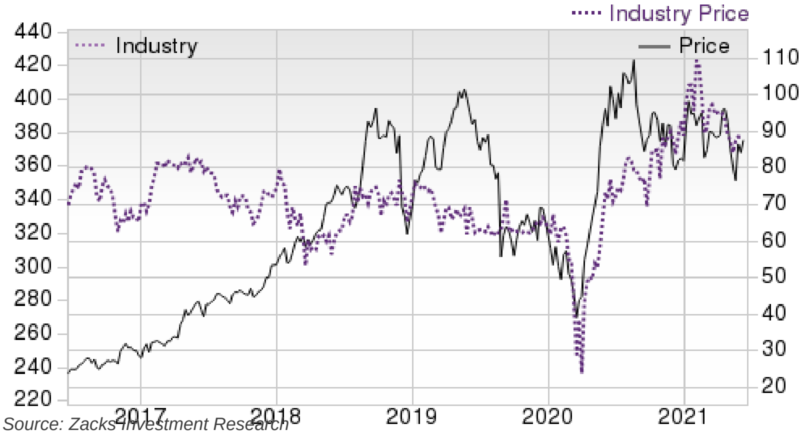
The table below shows summary valuation data for OLLI

**Valuation Multiples - OLLI**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| P/E F12M | Current | 27.44 | 23.57 | 20.28 | 21.66 |
| | 5-Year High | 49.07 | 24.95 | 22.4 | 23.83 |
| | 5-Year Low | 14.43 | 13.32 | 16.52 | 15.31 |
| | 5-Year Median | 33.15 | 18.11 | 19.51 | 18.05 |
| P/S F12M | Current | 2.81 | 0.94 | 10.16 | 4.71 |
| | 5-Year High | 4.43 | 2.04 | 11.95 | 4.74 |
| | 5-Year Low | 1.33 | 0.67 | 8.58 | 3.21 |
| | 5-Year Median | 2.89 | 1.75 | 10.32 | 3.72 |
| EV/EBITDA TTM | Current | 17.16 | 10.66 | 41.74 | 17.42 |
| | 5-Year High | 52.68 | 19.17 | 45.75 | 17.74 |
| | 5-Year Low | 11.77 | 3.37 | 27.43 | 9.63 |
| | 5-Year Median | 23.71 | 10.84 | 39.28 | 13.47 |

*As of 06/23/2021* *Source: Zacks Investment Research*

## Industry Analysis **Zacks Industry Rank:** Bottom 12% (221 out of 252)




*Source: Zacks Investment Research*

## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| Burlington Stores, Inc. **(BURL)** | Outperform | 1 |
| Target Corporation **(TGT)** | Outperform | 1 |
| Big Lots, Inc. **(BIG)** | Neutral | 3 |
| Costco Wholesale Corporation **(COST)** | Neutral | 2 |
| Dollar General Corporation **(DG)** | Neutral | 2 |
| Dollar Tree, Inc. **(DLTR)** | Neutral | 3 |
| Ross Stores, Inc. **(ROST)** | Neutral | 3 |
| Grocery Outlet Holding Corp. **(GO)** | Underperform | 5 |

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

## Industry Comparison Industry: Consumer Products - Staples

Industry Peers

| | OLLI | X Industry | S&P 500 | COST | DG | TGT |
|---|---|---|---|---|---|---|
| **Zacks Recommendation (Long Term)** | Neutral | - | - | Neutral | Neutral | Outperform |
| **Zacks Rank (Short Term)** | 3 | - | - | 2 | 2 | 1 |
| **VGM Score** | C | - | - | C | A | D |
| Market Cap | 5.51 B | 2.67 B | 29.87 B | 173.28 B | 50.57 B | 117.40 B |
| # of Analysts | 7 | 3.5 | 12 | 11 | 26 | 13 |
| Dividend Yield | 0.00% | 0.00% | 1.35% | 0.81% | 0.78% | 1.15% |
| **Value Score** | C | - | - | D | B | C |
| Cash/Price | 0.08 | 0.11 | 0.06 | 0.07 | 0.01 | 0.07 |
| EV/EBITDA | 16.78 | 11.70 | 17.12 | 23.65 | 13.08 | 13.44 |
| PEG F1 | 1.21 | 2.55 | 2.05 | 4.14 | 1.86 | 1.51 |
| P/B | 3.97 | 4.24 | 4.07 | 10.21 | 8.09 | 7.85 |
| P/CF | 23.92 | 14.42 | 17.35 | 31.05 | 16.24 | 16.40 |
| P/E F1 | 28.85 | 16.54 | 20.98 | 37.79 | 21.06 | 20.07 |
| P/S TTM | 2.88 | 1.18 | 3.36 | 0.93 | 1.50 | 1.20 |
| Earnings Yield | 3.45% | 3.63% | 4.69% | 2.65% | 4.75% | 4.98% |
| Debt/Equity | 0.00 | 0.41 | 0.66 | 0.44 | 0.66 | 0.77 |
| Cash Flow ($/share) | 3.53 | 1.59 | 6.83 | 12.62 | 13.18 | 14.47 |
| **Growth Score** | C | - | - | B | A | B |
| Historical EPS Growth (3-5 Years) | 32.86% | 0.61% | 9.59% | 15.27% | 22.73% | 15.48% |
| Projected EPS Growth (F1/F0) | -7.91% | 5.38% | 21.62% | 17.20% | -4.30% | 25.53% |
| Current Cash Flow Growth | 57.01% | 7.73% | 0.99% | 8.77% | 44.07% | 22.82% |
| Historical Cash Flow Growth (3-5 Years) | 35.11% | 13.55% | 7.28% | 10.07% | 16.24% | 6.93% |
| Current Ratio | 3.27 | 1.70 | 1.39 | 1.00 | 1.14 | 1.07 |
| Debt/Capital | 0.04% | 32.17% | 41.51% | 30.63% | 39.79% | 43.48% |
| Net Margin | 13.83% | 2.59% | 11.95% | 2.53% | 7.96% | 6.30% |
| Return on Equity | 17.59% | 11.75% | 16.48% | 27.30% | 39.37% | 45.70% |
| Sales/Assets | 0.98 | 1.07 | 0.51 | 3.27 | 1.31 | 1.96 |
| Projected Sales Growth (F1/F0) | 3.47% | 12.36% | 9.54% | 15.03% | 0.96% | 9.13% |
| **Momentum Score** | B | - | - | C | B | F |
| Daily Price Change | -1.56% | 0.48% | -0.11% | -0.05% | -0.35% | 0.04% |
| 1-Week Price Change | -1.65% | -4.27% | 0.43% | -0.25% | 1.62% | -1.03% |
| 4-Week Price Change | 4.92% | 0.00% | 1.09% | 1.65% | 7.05% | 4.49% |
| 12-Week Price Change | -3.02% | -3.02% | 6.77% | 11.20% | 5.66% | 19.81% |
| 52-Week Price Change | -13.86% | 38.05% | 39.06% | 31.52% | 11.59% | 98.22% |
| 20-Day Average Volume (Shares) | 1,046,264 | 489,962 | 1,889,295 | 1,993,506 | 1,937,930 | 3,003,811 |
| EPS F1 Estimate 1-Week Change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EPS F1 Estimate 4-Week Change | 6.32% | 0.00% | 0.01% | 3.82% | 7.25% | 0.00% |
| EPS F1 Estimate 12-Week Change | 5.71% | 0.94% | 3.54% | 4.88% | 7.96% | 37.72% |

| | | | | | | |
|---|---|---|---|---|---|---|
| EPS Q1 Estimate Monthly Change | 7.46% | 0.00% | 0.00% | 1.12% | 2.34% | 0.00% |

*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 | C |
| Growth Score | C |
| Momentum Score | B |
| VGM Score | C |

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

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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

## Additional Disclosure

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

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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