

The Childrens Place (PLCE)

\$95.86 (As of 06/16/21)

Price Target (6-12 Months): **\$110.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 05/18/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:F

Value: F

Growth: D

Momentum: C

Summary

Shares of Children's Place have risen and outpaced the industry in the past six months. Notably, the company has been on track with growth efforts such as enhancing digital capabilities, augmenting supply chain and improving financial flexibility. Markedly, the company posted better-than-expected first-quarter fiscal 2021 results, wherein both the top and the bottom lines grew year over year. Favorable response toward product assortment, higher price realization, lower promotional activity and stimulus checks acted as tailwinds. Notably, the company commenced second quarter on a strong note. Management envisions sturdy second-quarter store sales. However, it guided lower sales in Canadian stores business and forecasted gross margin to moderate. For second half of fiscal year, store sales are projected to remain flat with fiscal 2020 levels.

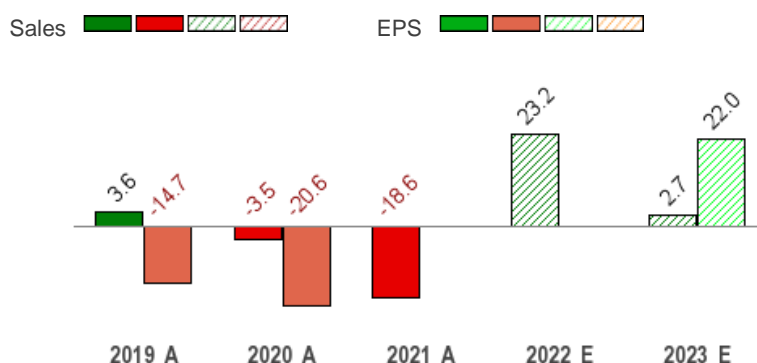
Price, Consensus & Surprise



Data Overview

| | |
|--------------------------------|----------------------------|
| 52-Week High-Low | \$103.33 - \$17.78 |
| 20-Day Average Volume (Shares) | 568,012 |
| Market Cap | \$1.4 B |
| Year-To-Date Price Change | 91.3% |
| Beta | 2.26 |
| Dividend / Dividend Yield | \$0.00 / 0.0% |
| Industry | Retail - Apparel and Shoes |
| Zacks Industry Rank | Top 17% (42 out of 252) |

Sales and EPS Growth Rates (Y/Y %)



| | |
|-------------------------------|------------|
| Last EPS Surprise | 10,733.3% |
| Last Sales Surprise | 24.1% |
| EPS F1 Estimate 4-Week Change | 58.1% |
| Expected Report Date | 08/24/2021 |
| Earnings ESP | 0.0% |

Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|-------|-------|-------|-------|---------|
| 2023 | | | | | 1,927 E |
| 2022 | 435 A | 419 E | 519 E | 504 E | 1,877 E |
| 2021 | 255 A | 369 A | 426 A | 473 A | 1,523 A |

EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|-----------|-----------|----------|----------|-----------|
| 2023 | \$3.62 E | \$0.04 E | \$3.36 E | \$2.09 E | \$8.36 E |
| 2022 | \$3.25 A | \$0.19 E | \$2.85 E | \$1.72 E | \$6.85 E |
| 2021 | -\$1.96 A | -\$1.48 A | \$1.44 A | \$1.01 A | -\$3.65 A |

*Quarterly figures may not add up to annual.

| | |
|---------|------|
| P/E TTM | 22.7 |
| P/E F1 | 14.0 |
| PEG F1 | 1.8 |
| P/S TTM | 0.8 |

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/16/2021. The report's text and the

analyst-provided price target are as of 06/17/2021.

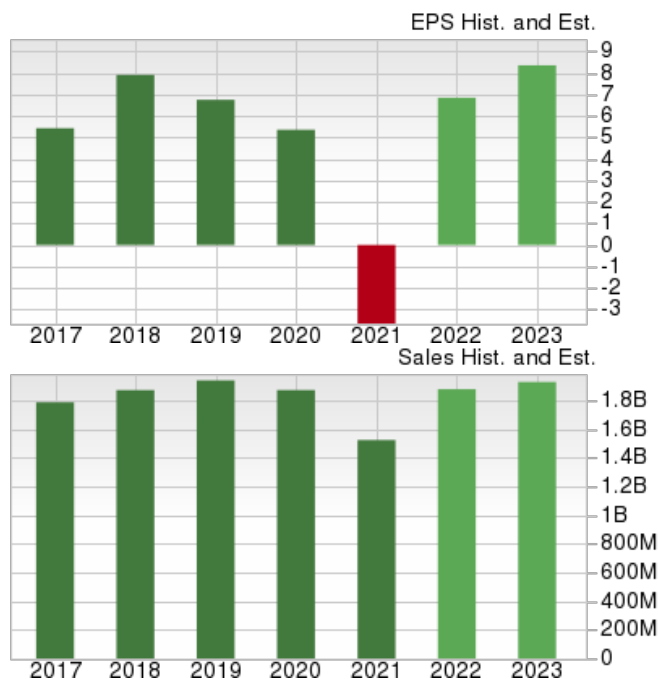
Overview

The Children's Place, Inc. is the largest pure-play children's specialty apparel retailer in North America. Based in Secaucus, NJ, the company sells apparel, footwear, accessories and other items for children; and designs, contracts to manufacture, and sells merchandise under the brand names "The Children's Place", "Place", "Baby Place", and "Gymboree."

Gymboree is an iconic children's apparel brand offering colorful, playful, bow-to-toe children's clothing collections that celebrate childhood and help families look their best for any occasion. On April 4, 2019, the company completed the acquisition of certain intellectual property and related assets (the "Gymboree Assets") of Gymboree Group, Inc. and related entities. The company relaunched the iconic Gymboree brand in February 2020 with a meaningfully improved digital experience on www.gymboree.com, complimented by shop-in-shop locations in over 200 co-branded stores in the U.S. and Canada.

Notably, international and wholesale expansion continue to represent meaningful long-term revenue opportunities for the company. Also, the company has been making investments to upgrade its omni-channel capabilities as part of its digital transformation strategy. We note that the company has one of the highest digital penetrations in the industry — accounting for 31% of revenues for fiscal 2019.

As of May 1, 2021, the company had 724 stores across the United States, Canada and Puerto Rico as well as the e-commerce business at www.childrensplace.com and www.gymboree.com. The company also had 230 international points of distribution in 19 countries, open and operated by eight franchise partners.



Reasons To Buy:

▲ **Impressive Q1 Performance, Stock Gains:** Children's Place posted stronger-than-anticipated first-quarter fiscal 2021 results. The company witnessed a significant improvement in net sales that even surpassed pre-pandemic level. The company posted adjusted earnings of \$3.25 per share that beat the Zacks Consensus Estimate of 3 cents, and rose significantly from an adjusted loss of \$3.33 in the year-ago period, thanks to higher net sales and margin expansion. Net sales of \$435.5 million surpassed the consensus mark of \$351 million and surged 70.6% owing to double digit jump in AUR resulting from favorable customer response toward product assortment, higher price realization, lower promotional activity, and stimulus checks to eligible Americans. Top line further gained from acceleration in back-to-school sales, ability to hold new digital customers gained amid the pandemic, and a significant improvement in store customers. We note that shares of the company have gained 106.9% in the past six months, while the industry rose 28.3%.

Children's Place is accelerating fleet optimization initiative, directing resources toward digital platforms to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility.

▲ **Outlook:** Management foresees sales opportunities and operational efficiencies when social distancing measures as well as other restrictions such as limited-hour operations are further removed and the company's stores and distribution centers start to operate normally. Notably, Children's Place has commenced second-quarter fiscal 2021 on a strong note. Although management expects e-commerce sales to be lower versus last year, it envisions sturdy second-quarter store sales as the company anniversary the shutdown of entire store fleet for about 50% of the quarter last year. Also, the company remains on track to accelerate operating margin expansion in fiscal 2021 and beyond. Management notified that lower occupancy costs owing to fleet optimization strategy should continue to fuel operating margin expansion. Management also informed that July is the important month in the second quarter with majority of sales being concentrated in the last two weeks of the said month owing to the commencement of back-to-school shopping. If majority of elementary schools returned to in-person learning this fall, the company will be among big gainers. Additionally, the expanded child tax credit benefits outlined in the American Rescue Plan should also act as a tailwind.

▲ **Strategic Initiatives:** Children's Place is leaving no stone unturned to improve its top-line performance and expand customer base. In this respect, the company is accelerating fleet optimization initiative, directing resources toward digital platforms in order to better engage with customers, augmenting supply chain and concentrating on improving financial flexibility. It is also focusing on "Superior Product" strategy to resonate well with millennial customers and advancing omni-channel capabilities. The company believes that significant participation in loyalty program and private label credit card program increases customer engagement. The successful execution of aforementioned endeavors is likely to drive operating margin expansion and enhance shareholder value.

▲ **Efforts to Mitigate COVID-19 Impact:** Children's Place has been undertaking several measures to mitigate the impact of COVID-19 and preserve its financial liquidity. The company has been focusing on curtailing non-essential expenses, managing inventory and optimizing capital expenditures. The company incurred capital expenditures of approximately \$30 million in fiscal 2020, and plans to spend roughly \$50 million in fiscal 2021 with major portion to be allocated to digital and supply chain fulfillment initiatives. Meanwhile, the company anticipates returning to positive operating cash flows for fiscal 2021. Also, the company has no plans to liquidate back-to-school and basics products, and is carrying the inventory to support back-to-school demand whenever schools can safely re-open for in-person learning. Further, the company has extended its existing accordion feature of \$35 million for one year, maintaining \$360 million of total availability under its revolving credit facility.

▲ **Digital Endeavors:** Children's Place has been making investments to upgrade its omni-channel capabilities as a part of its Digital Transformation strategy. Management notified that the company has one of the highest digital penetrations in the industry — accounting for 53% of revenues for fiscal 2020 and approximately 42% of sales for year-to-date fiscal 2021 (as of May 20). Impressively, the company's digital sales surged 37% during first-quarter fiscal 2021, representing 42% of total sales. Quite apparent, the company's \$50 million digital transformation investment from fiscal 2017-2019 to enhance omni-channel capabilities in order to meet online demand is reaping benefits. The expansion of digital business coupled with the significant sales transfer rate that the company is attaining owing to the strategic decision to shutter 300 stores are resulting in long-term steady state annual digital penetration of 50%.

The lingering impact of COVID-19 will continue to accelerate the shift to digital. The company has launched a completely redesigned responsive site and mobile app for The Children's Place and Gymboree brands (relaunched in February 2020). It continued to develop state-of-the-art loyalty, pricing and promotional systems to facilitate the delivery of real time customer personalization in whatever channel customer select. Notably, the company has rolled out "BOPIS" (Buy Online, Pick Up in Store), Save the Sales and Ship from Store, mobile POS in its stores. Further, it launched SMS texting capabilities and implemented everyday free shipping with no minimum purchase. It has also rolled out "BOSS" (Buy Online, Ship to Store), the response of which appears to be encouraging.

▲ **Fleet Optimization:** Children's Place Store Fleet Optimization strategy focuses on striking the right balance between digital and physical stores. With respect to its store fleet optimization strategy, Children's Place permanently shuttered 25 stores during the first quarter. The company now plans to shutter additional 98 stores in fiscal 2021. This will take the total store closure count to 300 for the two-year period. Since the announcement of the fleet optimization initiative in 2013, the company has permanently closed 474 stores. These store closures are seen as part of the company's effort to lower dependency on brick-and-mortar platform and shift toward digitization due to the changing consumer shopping pattern. Moreover, entering fiscal 2022, the company targets a store fleet of roughly 625 locations and aims to generate 75% of its total revenues from sources outside the traditional malls.

Risks

- **Headwinds to Counter:** Temporary and permanent store closures and the adverse impact of lower operating hours in mall stores hurt Children's Place first-quarter fiscal 2021 top-line performance to an extent. We note that net sales were adversely impacted by 199 permanent store closures in the past 12 months, inclusive of 25 stores closed during the first quarter, and the 178 stores the company closed during fiscal 2020. Again, government mandated temporary closures in Canada, with approximately 50% of fleet being closed for more than half of the quarter and the impact of an approximately 15% reduction in mall operating hours as directed by mall owners also hit sales. Canada's store sales declined 43% with traffic down 69% during the quarter under review. The company expects lower sales in Canadian stores business, thanks to government mandated COVID-19 closures that have been in place since the beginning of March and is expected to continue until sometime in June. This is likely to impact approximately half of the Canadian fleet. For the second half of fiscal 2021, store sales are projected to remain flat with fiscal 2020 levels. This is due to permanent store closures as part of store fleet optimization strategy that is likely to offset higher store productivity.
 - **Q2 Gross Margin to Moderate:** Management anticipates second-quarter fiscal 2021 gross margin to moderate from first-quarter level owing to deleverage of fixed costs on lower net sales, the larger first-quarter abatement, and increase in inbound transportation expenses due to persistent supply chain disruption. Management on its earnings call stated that the company is experiencing higher inbound freight transportation costs driven by ocean carrier equipment shortages and higher container rates. Also, material input costs are rising.
 - **Deleverage in SG&A Expense:** Any deleverage in SG&A expenses is a concern. We note that adjusted SG&A expenses increased 12.7% to \$104.1 million in first-quarter fiscal 2021. Again, second-quarter fiscal 2021 SG&A expenses are expected in the range of \$110 million, higher than the preceding quarter on account of the anticipated reopening of the temporarily closed stores in Canada as well as the expected easing of the landlord reductions in store operating hours. Further, the metric is also expected to be higher than the year-ago period's adjusted figure of \$103.5 million owing to the anniversary of the COVID-19 closures as well as higher incentive compensation accruals. This is likely to hurt the operating income to an extent.
 - **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. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure.
 - **Stiff Competition Might Hurt Market Share:** Children's Place operates in a highly competitive apparel, footwear, and accessories retail market. The company competes on the basis of brand recognition, fashion, price, service, store location and quality. It competes with specialty stores, mass merchants and off-price stores, including Target, Old Navy, GapKids, and babyGap (each of which is a division of Gap), Carter's, Inc., T.J. Maxx and Marshall's (each of which is a division of TJX Companies), Burlington Coat Factory, Kohl's Corporation, Walmart, and other department stores. The company also compete with regional retail chains, catalog companies, and e-commerce players such as Amazon. Stiff competition, higher promotional activity, continuing economic pressure on value seeking consumers, and liquidation activities by bankrupt and other struggling retailers, including selling apparel, footwear, and accessory merchandise at huge discounts could also have a material adverse impact on the company's performance.
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Last Earnings Report

The Children's Place Q1 Earnings Beat

In spite of a challenging backdrop, The Children's Place, Inc. reported stronger-than-anticipated first-quarter fiscal 2021 results. This pure-play children's specialty apparel retailer witnessed a significant improvement in net sales that even surpassed pre-pandemic level despite having 261 or 27% fewer stores at the end of first-quarter fiscal 2021 compared with first-quarter fiscal 2019. Notably, the quarter under review marked the third straight top- and bottom-line beat. The two-pronged approach of massive coronavirus stimulus package and mass vaccination has acted as tailwind.

Quarter Ending 04/2021

| | |
|------------------|--------------|
| Report Date | May 20, 2021 |
| Sales Surprise | 24.08% |
| EPS Surprise | 10,733.33% |
| Quarterly EPS | 3.25 |
| Annual EPS (TTM) | 4.22 |

Let's Analyze

The Children's Place posted adjusted earnings of \$3.25 per share that comfortably surpassed the Zacks Consensus Estimate of 3 cents. Impressively, the bottom line improved significantly from an adjusted loss of \$3.33 per share reported in the year-ago period, thanks to higher net sales and margin expansion.

Net sales of \$435.5 million surged 70.6% year over year owing to double digit jump in AUR resulting from favorable customer response toward product assortment, higher price realization, lower promotional activity, and stimulus checks to eligible Americans. Top line further gained from acceleration in back-to-school sales, ability to hold new digital customers gained amid the pandemic, and a significant improvement in store customers.

However, temporary and permanent store closures and the adverse impact of lower operating hours in mall stores, as directed by the mall owners hurt the company's top-line performance to an extent. Nonetheless, the top line handily beat the Zacks Consensus Estimate of \$351 million.

Management stated that all key metrics across both digital and stores channels surpassed its expectations. Comparable retail sales increased 83% during the quarter. Impressively, consolidated digital sales surged 37% during the quarter, representing 42% of total sales. Digital sales rose 35% in the United States and 82% in Canada, thanks to double-digit jump in traffic, partly as a result of retaining new customers acquired during the pandemic.

The company seeks to lower per order e-commerce fulfillment costs in fiscal 2021 due to a number of packaging and network optimization efforts coupled with the ability of third-party fulfillment partner to meet higher demand in the fiscal year.

The expansion of digital business coupled with the significant sales transfer rate that the company is attaining owing to the strategic decision to shutter 300 stores are resulting in long-term steady state annual digital penetration of 50%.

Notably, U.S. net sales increased 71% year over year to \$384 million, while Canadian net sales increased 76% to \$30 million. Again, we note that U.S. store sales were better-than-expected driven by strong product acceptance and double-digit AUR increases. However, the picture was somewhat different in Canada, where government mandated COVID-19 closures impacted roughly 50% of stores for more than half of the quarter. Canada's store sales declined 43% with traffic down 69%.

Margin Discussions

Moving on, first-quarter fiscal 2021 adjusted gross profit was \$189.2 million, up significantly from \$45.3 million in the year-ago period. Again, gross margin expanded to 43.4% from 17.7% in the prior-year quarter. This increase was driven by higher merchandise margins across both stores and digital channels, and lower occupancy expenses on account of rent abatements, favorable lease negotiations and permanent store closures. Additionally, fixed cost leverage stemming from higher sales favorably impacted the gross margin rate.

Adjusted SG&A expenses increased 12.7% to \$104.1 million in the reported quarter. As a percentage of net sales, the metric leveraged 1,231 basis points to 23.9% primarily due to fixed expense leverage resulting from the increase in net sales, partly offset by higher incentive compensation accruals.

The company's adjusted operating income amounted to \$70.7 million, against operating loss of \$64.9 million in the year-ago period, and leveraged 4,168 basis points to 16.2% of net sales. Markedly, the company remains well on track to accelerate operating margin expansion in fiscal 2021 and beyond. Management notified that lower occupancy costs owing to fleet optimization strategy should continue to fuel operating margin expansion throughout the current fiscal year and beyond.

Store Update

As of May 1, 2021, The Children's Place had 679 of 724 stores open to the public in the United States, Canada and Puerto Rico, with all of the temporarily closed stores located in Canada.

With respect to its store fleet optimization strategy, The Children's Place permanently shuttered 25 stores during the first quarter. The company now plans to shutter additional 98 stores in fiscal 2021. This will take the total store closure count to 300 for the two-year period.

Since the announcement of the fleet optimization initiative in 2013, the company has permanently closed 474 stores. These store closures are seen as part of the company's effort to lower dependency on brick-and-mortar platform and shift toward digitization due to the changing consumer shopping pattern. Moreover, entering fiscal 2022, the company targets a store fleet of roughly 625 locations and aims to generate 75% of its total revenues from sources outside the traditional malls.

Other Financial Aspects

The Children's Place ended the quarter with cash and cash equivalents of \$65.4 million. The company had \$196.9 million outstanding on its revolving credit facility at the end of the quarter. Stockholders' equity at the end of the quarter was \$145 million.

The company used about \$16.6 million in operating cash flow during the quarter under review. It incurred capital expenditures of approximately \$7 million during the quarter. Management anticipates fiscal 2021 capital expenditures in the range of \$50 million with major portion to be allocated to digital and supply chain fulfillment initiatives. The company anticipates returning to positive operating cash flows for fiscal 2021.

It also intends to recommence capital return program in the third quarter of fiscal 2021 based on current liquidity position and assuming a normalized back-to-school selling season. The company currently has \$91 million remaining under its \$250 million authorization.

Outlook

Management foresees sales opportunities and operational efficiencies when social distancing measures as well as other restrictions such as limited-hour operations are further removed and the company's stores and distribution centers start to operate normally.

The Children's Place has commenced second-quarter fiscal 2021 on a strong note. Although management expects e-commerce sales to be lower versus last year, it envisions sturdy second-quarter store sales as the company anniversary the shutdown of entire store fleet for about 50% of the quarter last year. The company witnessed unprecedented levels of e-commerce demand last year. We note that e-commerce represented more than 70% of sales in second-quarter last year.

Management also informed that July is the important month in the second quarter with majority of sales being concentrated in the last two weeks of the said month owing to the commencement of back-to-school shopping. If majority of elementary schools returned to in-person learning this fall, the company will be among big gainers. Additionally, the expanded child tax credit benefits outlined in the American Rescue Plan should also act as a tailwind. These payments are scheduled to begin on Jul 15 and provide for monthly checks of \$300 for each child under age six years and \$250 for each child between six and 17 years of age.

The company expects lower sales in Canadian stores business, thanks to government mandated COVID-19 closures that have been in place since the beginning of March and is expected to continue until sometime in June. This is likely to impact approximately half of the Canadian fleet.

Again, management anticipates second-quarter gross margin to moderate from first-quarter level owing to deleverage of fixed costs on lower net sales, the larger first-quarter abatement, and increase in inbound transportation expenses due to persistent supply chain disruption.

Again, second-quarter fiscal 2021 SG&A expenses are expected in the range of \$110 million, higher than the preceding quarter on account of the anticipated reopening of the temporarily closed stores in Canada as well as the expected easing of the landlord reductions in store operating hours. Further, the metric is also expected to be higher than the year-ago period owing to the anniversary of the COVID-19 closures as well as higher incentive compensation accruals.

For the second half of fiscal 2021, store sales are projected to remain flat with fiscal 2020 levels. This is due to higher store productivity, which is likely to offset the impact of permanent store closures as part of store fleet optimization strategy.

Valuation

The Children's Place shares are up 91.3% in the year-to-date period and nearly 130.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 27.1%, while the Zacks Retail-Wholesale sector is down 1.3% in the year-to-date period. Over the past year, the sub-industry and the sector are up 159.9% and 19.5%, respectively.

The S&P 500 index is up 14.6% in the year-to-date period and 40.6% in the past year.

The stock is currently trading at 12.93X forward 12-month earnings, which compares to 20.15X for the Zacks sub-industry, 27.88X for the Zacks sector and 21.82X for the S&P 500 index.

Over the past five years, the stock has traded as high as 45.08X with a 5-year median of 15.18X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$110 price target reflects 14.87X forward 12-month earnings.

The table below shows summary valuation data for PLCE

| Valuation Multiples - PLCE | | | | | |
|----------------------------|---------------|-------|--------------|--------|---------|
| | | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M | Current | 12.93 | 20.15 | 27.88 | 21.82 |
| | 5-Year High | 45.08 | 89.35 | 34.07 | 23.83 |
| | 5-Year Low | NA | 8.38 | 19.13 | 15.31 |
| | 5-Year Median | 15.18 | 14.61 | 23.96 | 18.05 |
| P/S F12M | Current | 0.74 | 1.24 | 1.32 | 4.72 |
| | 5-Year High | 1.48 | 1.3 | 1.41 | 4.74 |
| | 5-Year Low | 0.11 | 0.34 | 0.84 | 3.21 |
| | 5-Year Median | 0.82 | 0.83 | 1.02 | 3.72 |
| EV/EBITDA F12M | Current | 7 | 9.44 | 13.11 | 17.23 |
| | 5-Year High | 9.67 | 10.24 | 13.22 | 18.83 |
| | 5-Year Low | 1.95 | 3.89 | 8.86 | 13.04 |
| | 5-Year Median | 7.13 | 6.31 | 11.34 | 15.9 |

As of 06/16/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 17% (42 out of 252)



Top Peers

| Company (Ticker) | Rec | Rank |
|--|------------|------|
| Buckle, Inc. The (BKE) | Outperform | 1 |
| Boot Barn Holdings, Inc. (BOOT) | Outperform | 1 |
| The Gap, Inc. (GPS) | Outperform | 3 |
| Sportsmans Warehouse Holdings, Inc. (SPWH) | Outperform | 1 |
| Urban Outfitters, Inc. (URBN) | Outperform | 1 |
| Zumiez Inc. (ZUMZ) | Outperform | 1 |
| American Eagle Outfitters, Inc. (AEO) | Neutral | 3 |
| Abercrombie & Fitch Company (ANF) | Neutral | 1 |

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

| Industry Comparison Industry: Retail - Apparel And Shoes | | | | Industry Peers | | |
|--|------------|------------|-----------|----------------|------------|-----------|
| | PLCE | X Industry | S&P 500 | ANF | BOOT | CHS |
| Zacks Recommendation (Long Term) | Outperform | - | - | Neutral | Outperform | Neutral |
| Zacks Rank (Short Term) | 1 | - | - | 1 | 1 | 2 |
| VGM Score | F | - | - | C | D | D |
| Market Cap | 1.41 B | 1.41 B | 29.96 B | 2.66 B | 2.20 B | 676.76 M |
| # of Analysts | 4 | 4 | 12 | 9 | 6 | 2 |
| Dividend Yield | 0.00% | 0.00% | 1.3% | 0.00% | 0.00% | 0.00% |
| Value Score | F | - | - | C | D | F |
| Cash/Price | 0.05 | 0.14 | 0.05 | 0.34 | 0.03 | 0.15 |
| EV/EBITDA | -10.60 | 6.20 | 17.13 | 14.38 | 16.54 | -2.56 |
| PEG F1 | 1.71 | 1.57 | 2.12 | 0.85 | NA | NA |
| P/B | 9.70 | 4.28 | 4.17 | 2.83 | 5.53 | 4.28 |
| P/CF | 107.29 | 17.84 | 17.46 | 22.31 | 18.76 | 38.27 |
| P/E F1 | 13.68 | 17.16 | 21.27 | 15.24 | 23.05 | NA |
| P/S TTM | 0.83 | 0.81 | 3.46 | 0.78 | 2.46 | 0.47 |
| Earnings Yield | 7.15% | 4.77% | 4.62% | 6.57% | 4.35% | -3.08% |
| Debt/Equity | 0.51 | 0.03 | 0.66 | 0.36 | 0.74 | 0.94 |
| Cash Flow (\$/share) | 0.89 | 0.85 | 6.83 | 1.94 | 4.01 | 0.14 |
| Growth Score | D | - | - | D | D | D |
| Historical EPS Growth (3-5 Years) | -13.38% | -6.25% | 9.44% | 47.58% | 31.47% | -50.13% |
| Projected EPS Growth (F1/F0) | 287.60% | 105.33% | 21.49% | 488.59% | 70.05% | 94.53% |
| Current Cash Flow Growth | -91.78% | -45.04% | 0.86% | -45.47% | 17.70% | -79.88% |
| Historical Cash Flow Growth (3-5 Years) | -37.56% | -4.43% | 7.28% | -14.40% | 27.55% | -44.81% |
| Current Ratio | 0.86 | 1.65 | 1.39 | 1.82 | 1.69 | 0.95 |
| Debt/Capital | 33.95% | 15.62% | 41.51% | 26.60% | 42.48% | 48.49% |
| Net Margin | 1.15% | 1.96% | 11.95% | 5.02% | 6.65% | -13.33% |
| Return on Equity | 66.88% | 9.75% | 16.48% | 22.88% | 16.27% | -65.16% |
| Sales/Assets | 1.47 | 1.14 | 0.51 | 1.06 | 0.99 | 1.09 |
| Projected Sales Growth (F1/F0) | 23.26% | 23.31% | 9.41% | 18.48% | 26.80% | 31.22% |
| Momentum Score | C | - | - | B | C | A |
| Daily Price Change | 2.78% | 0.00% | -0.54% | 0.44% | 2.14% | 4.35% |
| 1-Week Price Change | 4.94% | 3.72% | 0.10% | 9.06% | 3.94% | 6.88% |
| 4-Week Price Change | 8.26% | 3.55% | 2.62% | 6.66% | 3.45% | 21.85% |
| 12-Week Price Change | 36.61% | 14.74% | 8.60% | 38.46% | 32.74% | 65.77% |
| 52-Week Price Change | 121.54% | 122.57% | 35.66% | 279.96% | 228.89% | 302.92% |
| 20-Day Average Volume (Shares) | 568,012 | 336,328 | 1,734,994 | 2,100,338 | 366,110 | 2,118,177 |
| EPS F1 Estimate 1-Week Change | 0.00% | 0.00% | 0.00% | 0.00% | 1.08% | 0.00% |
| EPS F1 Estimate 4-Week Change | 58.14% | 6.03% | 0.05% | 87.31% | 12.14% | 46.03% |
| EPS F1 Estimate 12-Week Change | 81.47% | 17.00% | 3.39% | 108.07% | 46.04% | 46.03% |

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

| | | | | | | |
|--------------------------------|---------|--------|-------|---------|--------|--------|
| EPS Q1 Estimate Monthly Change | 180.00% | 28.00% | 0.00% | 936.17% | 10.97% | 44.44% |
|--------------------------------|---------|--------|-------|---------|--------|--------|

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.

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.

| | |
|----------------|---|
| Value Score | F |
| Growth Score | D |
| Momentum Score | C |
| VGM Score | F |

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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 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 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.