

RH (RH)

\$515.61 (As of 03/19/21)

Price Target (6-12 Months): **\$541.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/30/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

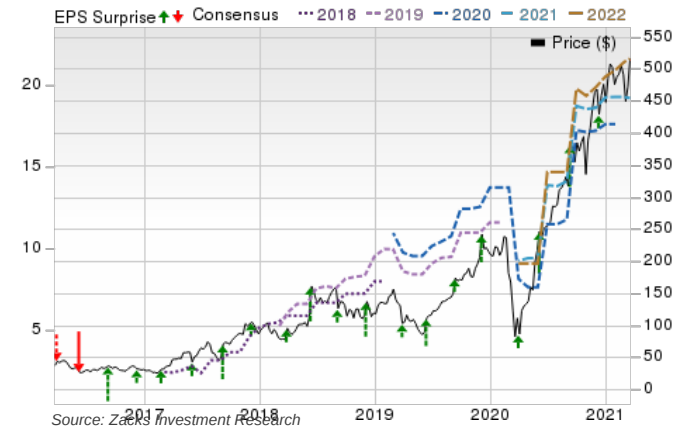
Growth: A

Momentum: D

Summary

RH's shares have outperformed the industry in the past year. RH's results have been benefiting from solid gross margin expansion via avoiding promotions and controlling costs. Its strength of the multi-channel platform and membership model enabled it to engage with customers virtually and not chase demand through promotions. The company's core RH business, solid performance of new galleries, along with continued expansion of RH Hospitality despite adverse macro trends are encouraging. Also, its strategic initiatives to evolve RH from a home furnishings retailer to a luxury lifestyle brand over time will drive growth. However, lower outlet and restaurant sales still remain a drag. Low inventory and supply chain disruptions, along with lower outlet sales are near-term headwinds.

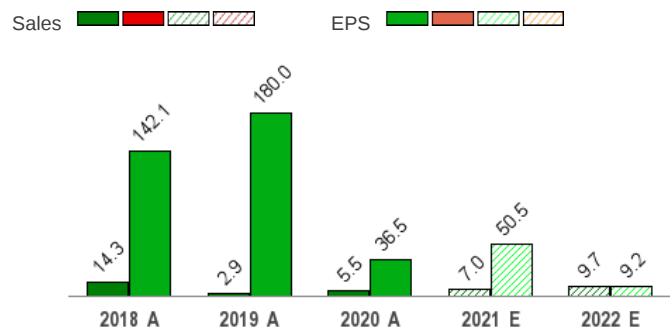
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$535.37 - \$73.14
20-Day Average Volume (Shares)	401,981
Market Cap	\$10.5 B
Year-To-Date Price Change	15.2%
Beta	2.43
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Home Furnishings
Zacks Industry Rank	Top 3% (8 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	14.4%
Last Sales Surprise	0.4%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	03/24/2021
Earnings ESP	6.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	615 E	800 E	836 E	812 E	3,109 E
2021	483 A	710 A	845 A	795 E	2,833 E
2020	599 A	707 A	677 A	665 A	2,647 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.80 E	\$5.02 E	\$5.97 E	\$5.05 E	\$19.16 E
2021	\$1.27 A	\$4.90 A	\$6.20 A	\$4.76 E	\$17.55 E
2020	\$1.85 A	\$3.20 A	\$2.79 A	\$3.72 A	\$11.66 A

*Quarterly figures may not add up to annual.

P/E TTM	32.0
P/E F1	26.9
PEG F1	1.0
P/S TTM	3.9

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/19/2021. The report's text and the analyst-provided price target are as of 03/22/2021.

Overview

RH, formerly known as Restoration Hardware, is a leading luxury retailer in the home furnishing space. The company offers dominant merchandise assortments across a growing number of categories, including furniture, lighting, textiles, bath ware, décor, outdoor and garden, tableware, and child and teen furnishings.

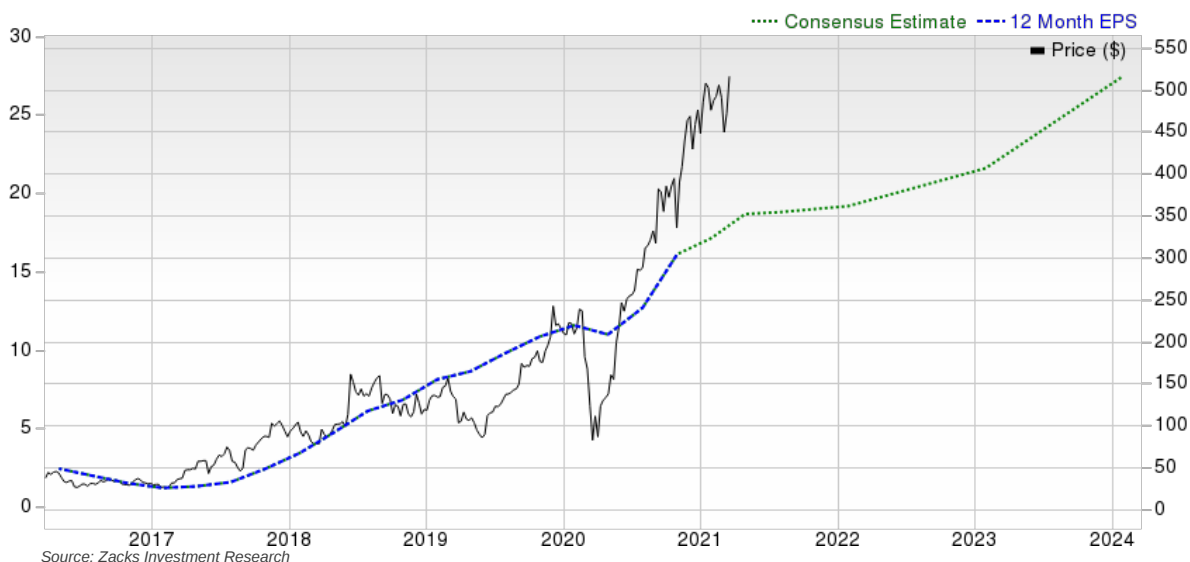
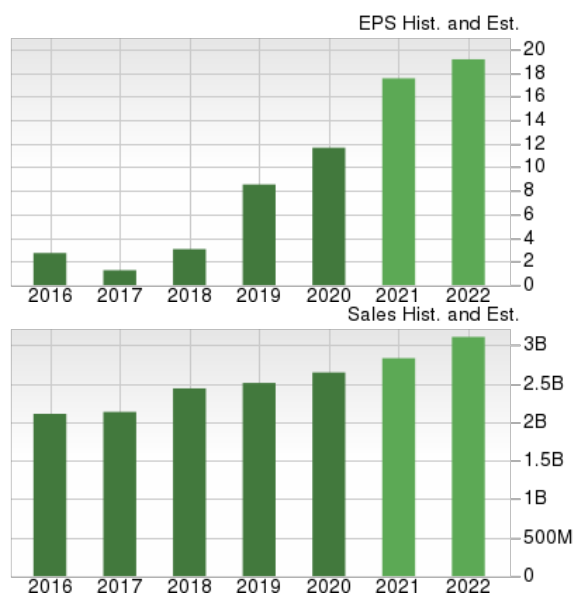
RH's business is fully integrated across its multiple channels of distribution, consisting of stores, Source Books and websites.

The company operates under two segments: RH Segment (comprising 96.3% of third-quarter fiscal 2020 net revenues) and Waterworks (3.7%). The segments include all sales channels accessed by the company's customers, including sales through catalogs, the company's websites, stores, and commercial channels.

As of Oct 31, 2020, RH operated 68 RH Galleries and 38 RH outlet stores in 31 states, the District of Columbia and Canada as well as 14 Waterworks showrooms throughout the United States and the U.K., and had sourcing operations in Shanghai as well as Hong Kong.

As of Oct 31, 2020, the company reopened all its Galleries, RH Outlets, and eight out of 10 RH restaurants.

RH ended the fiscal third quarter with cash and cash equivalents of \$88.9 million (compared with \$17.4 million in the previous quarter) and net debt of \$536 million (compared with \$697 million in the fiscal second quarter). Resultantly, its debt-to-capitalization improved sequentially to 78.2% for the fiscal third quarter from 90%. Also, it has current revolving line of credit availability of \$600 million.



Reasons To Buy:

- ▲ **Stellar Performance:** RH's shares have outperformed the industry in the past year. This trend is expected to continue in the near term, courtesy of its solid performance through the first nine months of fiscal 2020 despite COVID-19 led disruptions. The price performance was also backed by the company's robust earnings surprise history, having surpassed the Zacks Consensus Estimate in all the trailing 12 quarters.

RH, after reporting stellar fiscal 2019 performance, posted stronger-than-expected results during the first-nine months of fiscal 2020 supported by solid gross as well as operating margin expansion. Notably, the company's strength of the multi-channel platform and membership model enabled it to engage with customers virtually and not chase demand through promotions.

Encouragingly, demand trends improved month over month, with RH Core demand up 38% in August, 37% in September, 24% in October, and 35% in November from the comparable month a year ago, respectively. Overall, RH's total demand experienced an uptick of 33% year over year in the fiscal third quarter.

RH has been exhibiting strong profitability, buoyed by its focus on improving profit margins, and creating a new and differentiating shopping experience with the addition of hospitality (restaurants and cafes) in new galleries. Focus on elevating the brand and architecting an integrated operating platform have aided RH in becoming one of the few retailers with expanding margins, rising operating earnings, while driving significantly higher returns on invested capital (industry-leading ROIC was 35.3% as of fiscal 2019).

- ▲ **Improving Hosing Market Bodes Well:** Booming real estate activity in second home markets, an accelerated shift of families to larger suburban homes and an uptick in homebuilding should drive increased spending in RH's market.

- ▲ **Growth Initiatives to Drive Profitability:** Over the past five years, RH has been busy in architecting a new operating platform that includes transitioning from a promotional to membership model, distribution center network redesign, the redesign of reverse logistics and outlet business, along with reconceptualization of home delivery and customer experience. These initiatives have helped the company lower costs and inventory levels, while boosting earnings and inventory turns. Going forward, RH expects this multi-year effort to result in a dramatically improved customer experience, continued margin enhancement and significant cost savings over the next several years. During fiscal first-quarter earnings call, the company's management emphasized on a number of strategic initiatives to evolve RH from a home furnishings retailer to a luxury lifestyle brand over time including: 1) a transformation of the website to "The World of RH", 2) expansion of interior design services to include architecture and landscape architecture; 3) the launch of RH Residences, or furnished homes and condos; 4) launch of RH3, a luxury yacht that customers can rent for travel to the Caribbean and Mediterranean; and 5) international expansion in Europe.

Moreover, increased focus on its outdoor furniture stores bodes well. At the end of the fiscal third quarter, the company had approximately 30 outdoor collections depending on the outdoor garden rooftop space. Notably, the change in formula from conceptualizing selling product to creating product and conceptualizing and selling spaces is likely to benefit the company going forward.

Meanwhile, in 2016, the company transformed the business from a promotional to a membership model (RH Members Program), which is expected to enhance its brand, streamline operations and enhance customer experience. The membership model has eliminated the frantic buying patterns and associated returns, exchanges and canceled orders. This is expected to contribute to improved financial performance through higher conversion of demand into revenues, improved margins and lower costs. In fiscal 2019, RH's members, approximately 415,000 at the end of the year, drove roughly 95% of sales in the core RH business. Core RH business reflects the product categories to which membership discount can be applied. Hence, sales derived through Outlet, Contract, Hospitality or Waterworks are excluded.

- ▲ **Margin Expansion Initiatives:** From fiscal 2016 through fiscal 2020, RH significantly increased operating margins in the business. For the upcoming period, the company expects continued improvements in operating margins as a result of its focus on a number of strategic initiatives that include: (i) occupancy leverage that it expects to gain from real estate transformation (ii) product margin expansion as it continues to drive higher full price selling in core business and (iii) cost savings from improvements of its operating platform and organizational structure.

Impressively, CEO Friedman stated that the emergence of RH as a luxury brand generating luxury margins has arrived years sooner than expected and the company now believes that it will reach 20% adjusted operating margin in fiscal 2020, with mid-single digit revenue growth.

Given the solid results so far this year, RH expects adjusted operating margin for fiscal 2020 to reach 21%, with revenue growth of approximately 7%. If revenues grow at a higher-than-forecast rate in the fiscal fourth quarter, adjusted operating margins are expected to expand beyond 21%. Also, it now projects adjusted operating margin to be 25% in the coming years.

- ▲ **Enough Liquidity & Active Management of Cash Flows:** RH ended the fiscal third quarter with cash and cash equivalents of \$88.9 million (compared with \$17.4 million in the previous quarter) and net debt of \$536 million (compared with \$697 million in the fiscal second quarter). Resultantly, its debt-to-capitalization improved sequentially to 78.2% for the fiscal third quarter from 90%. Also, it has current revolving line of credit availability of \$600 million.

The company's times interest earned ratio stands at 4.9, better than the fiscal second quarter's 4.2. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet debt obligations based on the current income.

RH's initiatives have been providing a major opportunity to optimize the allocation of capital in business, including generation of free cash flow, optimization of balance sheet, and deployment of capital to repay debt and repurchase shares.

The transformation to a membership model, rationalization of product offerings and the expansion of its chain of restaurants are expected to boost growth

RH pursues an aggressive share repurchase strategy. During fiscal 2019, RH repurchased approximately 2.2 million shares for roughly \$250 million. There were no share repurchases under the \$950-million buyback plan during first-half fiscal 2020. As of Oct 31, 2020, there was \$450 million remaining for future share repurchases under this program.

Share repurchases benefit the company's earnings per share, book value as well as shareholder equity as shares outstanding reduce. Thus, share repurchase programs raise optimism among investors and boost their confidence in the stock. The company generated \$330 million, \$163 million and \$415 million of free cash flow in fiscal 2019, 2018 and 2017, respectively. During first-half fiscal 2020, RH generated free cash flow of \$182.1 million, up from \$137.9 million a year ago.

Reasons To Sell:

▼ **Coronavirus Outbreak Hurts Near-Term Results:** As of December 2020, spike in COVID-19 cases has led to imposition of restrictions on its physical operations with respect to Galleries, Outlets and restaurants. Although demand trends after the fiscal first quarter have improved, lower outlet and restaurant sales are still serving as a drag on the business. Closed operations, low inventory and supply chain disruptions, as well as lower outlet sales are near-term headwinds.

Coronavirus-related woes, higher tariff, and higher dependence on foreign manufacturing and imports raise concerns

▼ **Dependence on Foreign Manufacturing and Imports:** RH's business highly depends on the successful operation of a global supply chain. In fiscal 2019, the company sourced approximately 86% of its merchandise from outside the United States, including 70% from Asia, majorly from China (38%). Thus, any economic or regulatory changes in the foreign countries will affect RH's business. Implementation of tax or tariffs may lead to an increase in the cost of goods sold and in turn higher product prices. This might also lead to a decline in consumer demand, denting the company's financial performance. RH noted that a major section of its products sourced from China has been affected by higher level of tariffs that were imposed in 2018 and 2019.

The presence of the COVID-19 virus and response to the health crisis in various countries are likely to have a continuing impact on its supply chain in the near term. RH expects the amount of products that it sources from China to be lower in fiscal 2020 than fiscal 2019.

▼ **Competition in Home Furnishings Sector:** The home furnishings sector is highly competitive. RH competes with interior design trade and specialty stores, antique dealers, national and regional home furnishing retailers and department stores. In addition, the company competes with mail order catalogs and online retailers focused on home furnishings. Increased catalog mailings by its competitors may affect response rates to RH's Source Book mailings. Increased competition has resulted in potential or actual litigation between RH and its competitors related to a variety of activities.

Last Earnings Report

RH's Q3 Earnings & Revenues Beat Expectations, Rise Y/Y

RH reported stellar third-quarter fiscal 2020 results (ended Oct 31, 2020) on the back of strong demand and solid margins. Both adjusted earnings and revenues handily beat the Zacks Consensus Estimate, as well as grew on a year-over-year basis.

RH witnessed a 33% increase in total demand for the fiscal third quarter. For August, September, October and November, the same was up 38%, 37%, 24% and 35%, respectively, year over year. It further increased to 44% at the beginning of September.

Quarter Ending	10/2020
Report Date	Dec 09, 2020
Sales Surprise	0.38%
EPS Surprise	14.39%
Quarterly EPS	6.20
Annual EPS (TTM)	16.09

Earnings, Revenue & Margin Discussion

Adjusted earnings of \$6.20 per share impressively surpassed the consensus mark of \$5.42 by 14.4% and increased a whopping 122.2% from the year-ago level.

Net revenues of \$844.8 million grew 24.6% year over year. Adjusting for recall accrual, net revenues increased 24.8% from the prior year to \$844.8 million. The figure also surpassed the consensus mark of \$842 million by 0.4%.

Adjusted gross margin expanded 670 basis points (bps) to 48.4% for the quarter owing to the investments to elevate the RH brand. Adjusted SG&A contracted 700 bps as a result of not mailing Fall Sourcebooks and lower compensation costs, partially offset by an approximate 20 bps drag from incremental COVID-related expenses.

Adjusted operating margin increased a notable 1,370 bps year over year to a record 26.7%. Adjusted EBITDA also surged 121.8% year over year to \$258 million for the quarter. Adjusted EBITDA margin improved 1,330 bps year over year to 30.5%.

Store Update & Balance Sheet

At Oct 31, it operated 68 RH Galleries and 38 RH outlet stores in 31 states, the District of Columbia and Canada, as well as 14 Waterworks showrooms throughout the United States and U.K., and had sourcing operations in Shanghai as well as Hong Kong.

RH's cash and cash equivalents were \$88.9 million as of Oct 31, 2020 compared with \$47.7 million on Feb 1, 2020. The company ended the quarter with merchandise inventories worth \$497.1 million compared with \$438.7 million as of Feb 1, 2020. Total net debt to trailing 12 months adjusted EBITDA was 0.8 as of Oct 31, 2020.

Net cash provided by operating activities was \$347.3 million for the first nine months of fiscal 2020 compared with \$211 million in the comparable year-ago period. Free cash flow totaled \$186.2 million at fiscal third quarter-end, up from \$95.9 million on Nov 2, 2019.

Fiscal 2020 View

Given solid results so far this year, RH expects adjusted operating margin for fiscal 2020 to reach 21%, with revenue growth of approximately 7%. If revenues grow at a higher-than-forecast rate in the fiscal fourth quarter, adjusted operating margins are expected to expand beyond 21%. Also, it now projects adjusted operating margin to be 25% in the coming years.

For fiscal 2021, RH expects double-digit revenue growth and operating margins to expand. While the accelerated demand in the second half of 2020 presents tough comparisons in 2021, the company expects to have meaningful revenue growth in its restaurants that have not operated at full capacity for entire 2020 and the Contract business, which has not yet recovered from the pandemic crisis. RH also expects a significant pickup as it returns to mailing Fall Interiors and ModernSourcebooks, and introduce substantially more new products. Also, it expects to benefit from approximately \$80-\$100 million in revenues from the unfilled orders placed in fiscal 2020 that will be delivered in fiscal 2021 and improved in-stock position in the second half of fiscal 2021.

Valuation

RH's shares are up 46.2% in the past six months and up 541.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 57.2% and Zacks Retail-Wholesale sector is up 6.7% in the past six months, respectively. Over the past year, the Zacks sub-industry and sector are up 297.4% and 65.8%, respectively.

The S&P 500 index is up 21.9% in the past six months and 76.6% in the past year.

The stock is currently trading at 26.45X forward 12-month earnings, which compares to 19.38X for the Zacks sub-industry, 30.33X for the Zacks sector and 22.17X for the S&P 500 index.

Over the past five years, the stock has traded as high as 37.59X and as low as 5.85X, with a 5-year median of 16.48X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$541 price target reflects 27.77X forward 12-month earnings.

The table below shows summary valuation data for RH

Valuation Multiples - RH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	26.45	19.38	30.33	22.17
	5-Year High	37.59	22.66	34.07	23.8
	5-Year Low	5.85	11.43	19.1	15.3
	5-Year Median	16.48	16.23	23.73	17.9
P/S F12M	Current	3.35	2.15	1.33	4.52
	5-Year High	3.51	2.15	1.34	4.52
	5-Year Low	0.38	0.79	0.84	3.21
	5-Year Median	0.85	1.37	1.02	3.69
EV/EBITDA TTM	Current	14.61	15.89	19	17.39
	5-Year High	14.61	15.89	20.78	17.68
	5-Year Low	2.63	6.33	10.71	9.62
	5-Year Median	6.93	11.97	13.21	13.33

As of 03/19/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 3% (8 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Ethan Allen Interiors Inc. (ETH)	Outperform	1
Haverty Furniture Companies, Inc. (HVT)	Outperform	1
Tempur Sealy International, Inc. (TPX)	Outperform	1
Casper Sleep Inc. (CSPR)	Neutral	3
Fortune Brands Home & Security, Inc. (FBHS)	Neutral	2
At Home Group Inc. (HOME)	Neutral	3
The Lovesac Company (LOVE)	Neutral	2
WilliamsSonoma, Inc. (WSM)	Neutral	2

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

Industry Comparison Industry: Retail - Home Furnishings				Industry Peers		
	RH	X Industry	S&P 500	HOME	TPX	WSM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	1	2
VGM Score	B	-	-	A	B	A
Market Cap	10.52 B	720.70 M	28.48 B	2.14 B	8.10 B	13.39 B
# of Analysts	8	6	13	5	7	10
Dividend Yield	0.00%	0.00%	1.38%	0.00%	0.71%	1.21%
Value Score	C	-	-	B	C	B
Cash/Price	0.01	0.06	0.06	0.02	0.01	0.07
EV/EBITDA	23.08	9.06	15.90	-26.92	12.74	20.28
PEG F1	1.03	1.43	2.36	0.58	0.90	2.27
P/B	33.89	6.72	3.90	5.32	16.14	8.11
P/CF	23.43	15.86	15.91	19.94	13.32	14.91
P/E F1	27.84	18.84	21.22	21.20	16.18	19.09
P/S TTM	3.89	1.36	3.30	1.36	2.20	1.97
Earnings Yield	3.72%	5.24%	4.61%	4.72%	6.18%	5.24%
Debt/Equity	3.59	0.48	0.67	0.79	2.62	0.18
Cash Flow (\$/share)	22.00	2.61	6.78	1.66	2.96	11.73
Growth Score	A	-	-	A	A	A
Historical EPS Growth (3-5 Years)	70.28%	10.09%	9.32%	22.28%	8.48%	13.64%
Projected EPS Growth (F1/F0)	9.22%	38.98%	14.54%	-30.23%	27.75%	1.32%
Current Cash Flow Growth	-8.66%	17.71%	0.72%	9.90%	79.40%	59.78%
Historical Cash Flow Growth (3-5 Years)	24.44%	7.61%	7.32%	38.17%	14.25%	4.89%
Current Ratio	0.83	1.33	1.39	1.18	0.99	1.34
Debt/Capital	78.23%	30.81%	41.42%	44.04%	72.52%	17.59%
Net Margin	7.78%	5.39%	10.59%	-28.39%	9.49%	10.03%
Return on Equity	354.62%	20.49%	14.75%	31.15%	115.23%	51.02%
Sales/Assets	1.07	1.13	0.51	0.64	1.11	1.52
Projected Sales Growth (F1/F0)	9.78%	12.37%	7.02%	-1.93%	17.32%	-1.66%
Momentum Score	D	-	-	F	F	A
Daily Price Change	6.12%	2.72%	-0.12%	10.30%	3.22%	8.21%
1-Week Price Change	5.12%	4.84%	2.96%	21.91%	5.09%	5.39%
4-Week Price Change	5.74%	14.13%	3.72%	36.86%	23.31%	37.20%
12-Week Price Change	8.39%	38.91%	8.75%	105.98%	40.66%	62.37%
52-Week Price Change	461.48%	219.11%	72.55%	1,521.57%	372.55%	356.98%
20-Day Average Volume (Shares)	401,981	401,981	2,394,762	1,703,896	2,657,162	1,346,463
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.43%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.43%
EPS F1 Estimate 12-Week Change	0.61%	4.88%	2.10%	1.56%	23.34%	0.76%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	25.73%

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	A
Momentum Score	D
VGM Score	B

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.