

## Starbucks Corporation(SBUX)

**\$118.34** (As of 04/16/21)

Price Target (6-12 Months): **\$125.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 05/12/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**2-Buy**

Zacks Style Scores:

VGM:D

Value: F

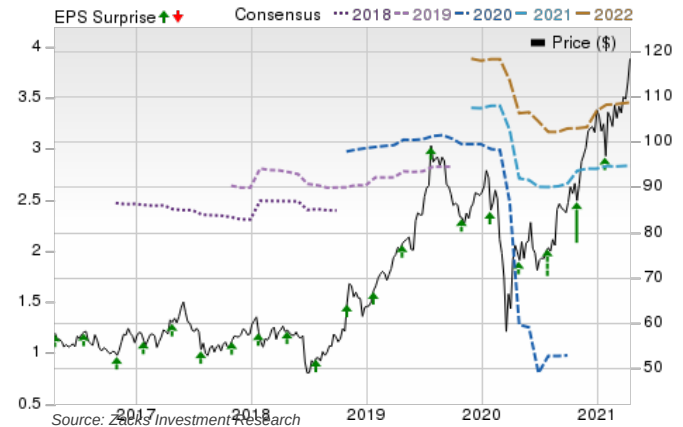
Growth: C

Momentum: F

### Summary

Shares of Starbucks have outperformed the industry in the past year. The company has been benefiting from operating fundamentals such as solid global footprint, successful innovations and digital offerings. After posting comps decline in second, third and fourth-quarter fiscal 2020 due to the coronavirus pandemic, it returned to growth in first-quarter fiscal 2021. The company anticipates global comps to increase between 18% and 23% in fiscal 2021. Moreover, it anticipates Americas and U.S. comps to increase in the range of 17% to 22% in fiscal 2021. In fiscal 2021, the company anticipates China comps growth to be 27-32% year over year. However, high debt, dismal margin and decline in store traffic remain a concern for the company. In the past 7 days, earnings estimates for second quarter and fiscal 2021 have witnessed upward revisions.

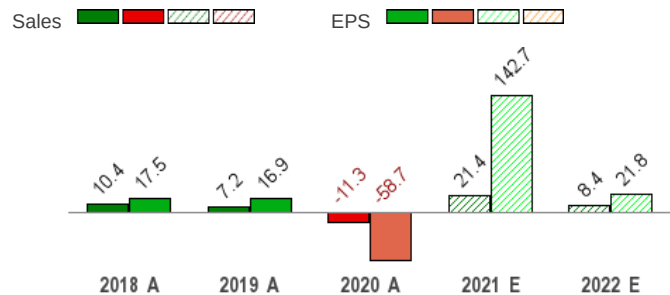
### Price, Consensus & Surprise



### Data Overview

|                                |                                 |
|--------------------------------|---------------------------------|
| 52-Week High-Low               | <b>\$118.50 - \$70.65</b>       |
| 20-Day Average Volume (Shares) | <b>6,177,777</b>                |
| Market Cap                     | <b>\$139.3 B</b>                |
| Year-To-Date Price Change      | <b>10.6%</b>                    |
| Beta                           | <b>0.89</b>                     |
| Dividend / Dividend Yield      | <b>\$1.80 / 1.5%</b>            |
| Industry                       | <b>Retail - Restaurants</b>     |
| Zacks Industry Rank            | <b>Top 41% (105 out of 254)</b> |

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



|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>10.9%</b>      |
| Last Sales Surprise           | <b>-1.8%</b>      |
| EPS F1 Estimate 4-Week Change | <b>0.3%</b>       |
| Expected Report Date          | <b>04/27/2021</b> |
| Earnings ESP                  | <b>8.7%</b>       |
| P/E TTM                       | <b>120.8</b>      |
| P/E F1                        | <b>41.7</b>       |
| PEG F1                        | <b>3.3</b>        |
| P/S TTM                       | <b>6.0</b>        |

### Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2022 | 7,568 E | 7,384 E | 7,916 E | 8,232 E | 30,958 E |
| 2021 | 6,749 A | 6,787 E | 7,095 E | 7,882 E | 28,551 E |
| 2020 | 7,097 A | 5,996 A | 4,222 A | 6,203 A | 23,518 A |

### EPS Estimates

|      | Q1       | Q2       | Q3        | Q4       | Annual*  |
|------|----------|----------|-----------|----------|----------|
| 2022 | \$0.85 E | \$0.70 E | \$0.94 E  | \$1.00 E | \$3.46 E |
| 2021 | \$0.61 A | \$0.52 E | \$0.78 E  | \$0.94 E | \$2.84 E |
| 2020 | \$0.79 A | \$0.32 A | -\$0.46 A | \$0.51 A | \$1.17 A |

\*Quarterly figures may not add up to annual.

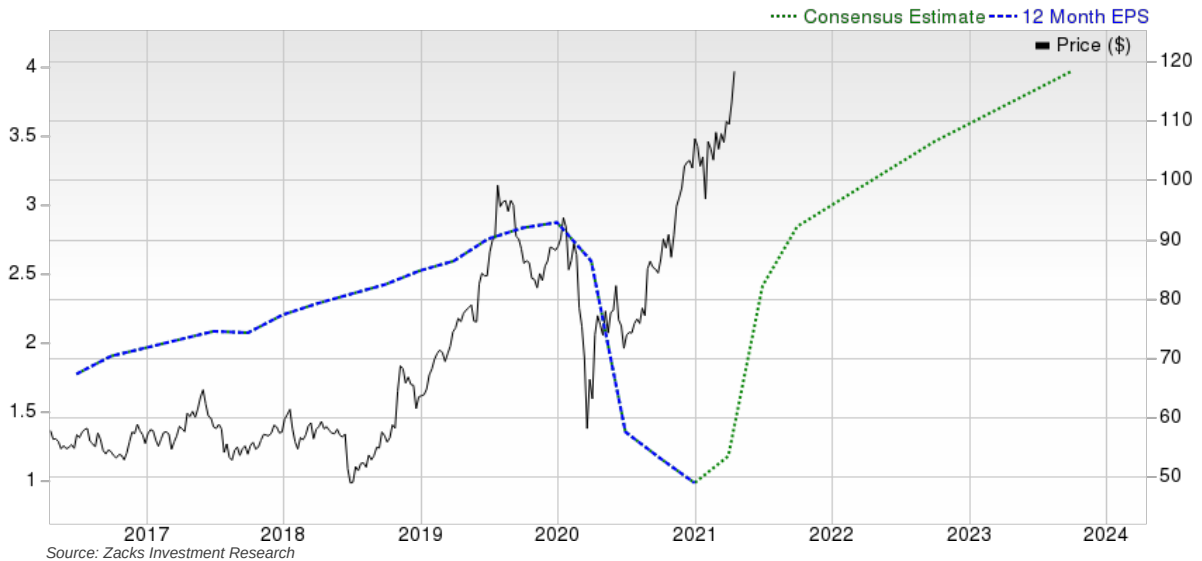
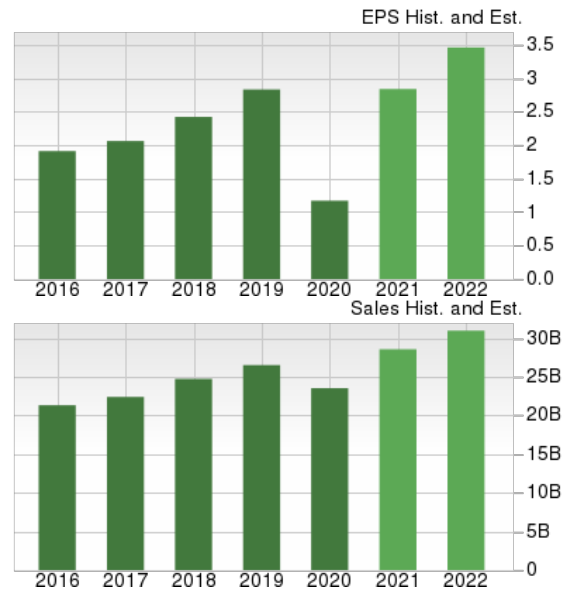
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/16/2021. The report's text and the analyst-provided price target are as of 04/19/2021.

## Overview

Founded in 1985 and based in Seattle, WA, Starbucks Corporation is the leading roaster and retailer of specialty coffee in the world. In addition to fresh, rich-brewed coffees, Starbucks' offerings include many complementary food items and a selection of premium teas and other beverages, sold mainly through the company's retail stores. The company's popular brands include Starbucks coffee, Teavana tea, Seattle's Best Coffee, La Boulange bakery products and Evolution Fresh juices.

Other than the company's own retail stores, it generates revenues through licensed stores, consumer packaged goods and foodservice operations. The company receives royalties and license fees from the U.S. and international licensed stores. Under its consumer packaged goods operations, Starbucks sells packed coffee and tea products as well as a variety of ready-to-drink beverages and single-serve coffee and tea products to grocery, warehouse clubs and specialty retail stores. It also includes revenues from licensing deals with many partners to produce and sell its Starbucks and Seattle's Best Coffee branded products. Under its foodservice operations, Starbucks supplies some of its products to restaurants, office coffee distributors, hotels, airlines and other retailers.

Starbucks operates through the following segments: Americas (inclusive of the United States), Canada and Latin America — (68% of total revenues in the fiscal fourth quarter); International (24%); and Channel Development (CD — 8%). The CD segment is not a geographic region but an entirely different channel (it is a combination of the consumer packaged goods or CPG and foodservice businesses). It includes roasted whole bean and ground coffees, premium Tazo teas, a variety of ready-to-drink beverages (like Frappuccino and Starbucks Refreshers) and Starbucks and Tazo branded K-Cup packs sold through channels such as grocery, specialty retailers, and foodservice to name a few. The All-Other segment comprises Teavana-branded stores, Seattle's Best Coffee, as well as certain developing businesses such as Siren Retail, which includes Starbucks Reserve Roastery & Tasting Rooms, Starbucks Reserve brand and products and Princi operations.



## Reasons To Buy:

▲ **Strong Brand Position:** Starbucks is one of the most recognized coffee brands in the world. From espresso to specialty roast and ground coffee to premium single-serve market, Starbucks commands authority and a leading position in all coffee segments. Further, management focuses on increasing global market share by judiciously opening stores in new and existing markets, remodeling existing stores, deploying technology, controlling costs and aggressive product innovation and brand building. In fiscal 2019, Starbucks added 1,900 net new stores. In 2018 and 2017, the company had added 2,300 and 2,250 net new locations. Despite the pandemic, the company opened 130 and 260 net new stores in third and fourth-quarter fiscal 2020, respectively. Moreover, the company inaugurated 1,400 new stores in fiscal 2020. In first-quarter fiscal 2021, Starbucks opened 278 net new stores worldwide in the fiscal first quarter, bringing the total store count to 32,938. Global store growth was 4% on a year-over-year basis. The company expects to open nearly 2,150 (850 stores in Americas and 1,300 internationally) new stores and 1,100 (50 stores in Americas and 1,050 in internationally) net new stores worldwide in fiscal 2021.

Starbucks' solid execution of several initiatives in the United States and China, along with best-in-class loyalty programs and digital offerings are expected to drive profits

▲ **Global Coffee Alliance With Nestle Expands Starbucks' Channel Development Footprint:**

Starbucks and the Swiss-based food giant Nestle SA have teamed up to revitalize their coffee domains. Starbucks and Nestle announced a global marketing deal that gives the latter "perpetual rights" to market Starbucks' products globally outside its coffee shops. This alliance will expand the global reach of Starbucks brands in the consumer packaged goods ("CPG") and foodservice categories to nearly 190 countries around the world. Earlier, the company has launched three new coffee platforms in over 30 new markets — Starbucks by Nespresso, Starbucks by Dolce Gusto, and Starbucks roast and ground coffee. The Global Coffee Alliance with Nestle has been a powerful partnership and the company finished the year 2020 as the number one coffee brand across the entire coffee category. In first-quarter fiscal 2021, the company expanded the presence of Starbucks At Home Coffee to four new markets. Starbucks At Home Coffee is now present in 66 markets.

▲ **Emphasis on China:** China Asia Pacific or CAP has now become the fastest growing segment. Improving customer experience via innovative new store designs, upgrading product offerings and margin expansion through process and supply chain efficiencies are driving CAP performance. China has witnessed comps growth of 1%, 3%, 6% and 5% in the first, second, third and fourth of fiscal 2019. In first-quarter 2020, China delivered comps growth of 3%. After posting comps decline in second, third and fourth-quarter fiscal 2020 due to the coronavirus pandemic, it returned to growth in first-quarter fiscal 2021 and posted an improvement of 5% (including 3% VAT benefit). In fiscal 2021, the company anticipates China comps growth to be 27-32% year over year. In first-quarter fiscal 2021, the company opened 160 new stores. In the past 12 months, the region has witnessed store growth of 13%. Further, the company entered 15 new cities in China and those stores are doing outstanding business.

▲ **Robust Digitalization in China:** The company announced a historic partnership with Alibaba for providing seamless Starbucks Experience to drive growth in China. Starbucks began delivery services in Beijing and Shanghai via Alibaba's Ele.me platform. Recently, the company has also strengthened its relationship with Alibaba. Starbucks lovers in China can now place orders via multiple Alibaba Group apps. Starbucks has introduced its mobile order and pay feature — Starbucks Now — to multiple platforms in the Alibaba Digital Economy, which includes Taobao, Amap, Koubei and Alipay. Starbucks customers can also use Starbucks Now feature to pre-order and pay for their favorite Starbucks beverage and food online before in-person pick-up at local stores. This will help Starbucks in expanding presence in China as Alibaba Digital Economy has user base of nearly 1 billion. In China, the company's delivery program is available in 85% of its stores. Moreover, Starbucks Now Mobile Order & Pay services is available across 99% of its store base in China.

Starbucks' business in China is rapidly growing due to innovative store designs, local product innovations and the success of MSR program. In first-quarter fiscal 2021, China's 90-day active members rose 14% in fourth-quarter 2020 to 15.4 million, reflecting growth of 51% year over year. The company has plans to build 600 net new stores annually over the next five years in Mainland China that will double the market's store count from the end of fiscal 2017 to 6,000 across 230 cities.

▲ **Focus on Innovation:** Starbucks is strengthening its product portfolio with significant innovation around beverages, refreshment, health and wellness, tea and core food offerings. Starbucks is leaning toward fast-growing categories like Cold Brew, Draft Nitro beverages, and plant-based modifiers, including almond, coconut, and soy milk alternatives. Apart from the numerous beverage innovations, Starbucks has also been making an effort to offer more nutritional and healthy products to its customers. Meanwhile, the company's Reserve Roastery and Tasting Room elevates the coffee experience to the next level, with small-batch super-premium coffee produced using innovative coffee-brewing techniques. Starbucks' strategy to boost the overall brand through its premium Roastery/Reserve brands is a huge opportunity.

Starbucks' recent collaboration with Beyond Meat to roll out a plant-based lunch menu in the China is a testament to the same. Now Starbucks customers can enjoy pastas and lasagna made utilizing Beyond Meat's plant-based beef products. It will also include meatless pork alternative known as Omnipork and popular non-dairy milk called Oatley. The new menu is available at more than 3,300 Starbucks locations in China. Both the companies have already partnered to roll out a plant-based sandwich to Canadian locations.

▲ **Sales Continues to Recover:** Starbucks sales have been impacted by the coronavirus pandemic. However, the company is witnessing faster than anticipated sales recovery in the United States. In first-quarter fiscal 2021, comps fell 5% in the United States, compared with a decline of 9% in fourth-quarter fiscal 2020. The company is optimistic about achieving full sales recovery in the United States by the end of second-quarter fiscal 2021. Transactions volumes in the United States continue to witness sharp improvement. The company anticipates global comparable sales to increase between 18% and 23% in fiscal 2021. Moreover, it anticipates Americas and U.S. comparable store sales to increase in the range of 17% to 22% in fiscal 2021. International comps for the fiscal 2021 are expected to be 25-30%.

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## Reasons To Sell:

▼ **Q1 Top & Bottom Lines Decline Sharply:** Starbucks reported first-quarter fiscal 2021 results, wherein both earnings and revenues declined year over year. Both top and bottom lines declined 4.9% and 22.8%, respectively. The downside can primarily be attributed to dismal global retail and comparable sales, and decline in store traffic. Global comparable store sales fell 5% compared with a decline of 9% in fourth-quarter fiscal 2020. Global comps declined due to 19% fall in comparable transactions, marginally offset by 17% increase in average ticket.

The coronavirus pandemic and operating margin contraction over the past few quarters has been a concern.

▼ **Margins Decline a Concern:** Margin contraction remains a major concern. In the first, second, third and fourth quarter of fiscal 2018, Starbucks non-GAAP operating margin shriveled 170, 80, 230 and 190 bps, respectively. The downtrend continued in first, second, third and fourth-quarter fiscal 2019, with margin declining 180, 40, 20 and 80 bps year over year to 17.4%, 15.8%, 18.3% and 17.2%, respectively. Although margin expanded improved in first-quarter fiscal 2020, it declined in second, third and fourth-quarter 2020. On a non-GAAP basis, operating margin contracted 660, 570 and 400 basis points in second, third and fourth-quarter 2020, respectively. In first-quarter fiscal 2021, on a non-GAAP basis, operating margin came in at 15.5% compared with 18.2% in the prior-year quarter. The downtrend can be attributed to sales deleverage, growth in wages and Americas store portfolio optimization expenses.

▼ **High Leverage Concern:** The company's long-term debt increased to \$14,673.5million (as of Dec 27, 2020) from \$14,659.6 million at Sep 27, 2020. Notably, its times-interest-earned ratio of 2.8 reflects decline from 3.7 in the fourth quarter. This indicates reduced relative freedom of the company from the constraints of debt. Moreover, the company ended first-quarter fiscal 2021 with cash and cash equivalent of \$5.2 billion, which is not enough to manage the high-debt level. At the end of first-quarter 2021, the company had debt-to-capital ratio of 1.98, compared with 1.91 at the end of fourth-quarter 2020.

▼ **Tricky Retail and Consumer Spending Environment in the United States:** Being a retail restaurant, Starbucks is dependent on consumer discretionary spending environment. Consumers' propensity to spend largely depends upon the overall macro-economic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.

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## Last Earnings Report

### Starbucks Q1 Earnings Beat, Revenues Miss Estimates

Starbucks reported first-quarter fiscal 2021 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. Notably, the bottom line surpassed the Zacks Consensus Estimate for the fifth straight quarter. However, the top line missed the consensus mark after outpacing the same in the trailing three quarters.

However, both the metrics declined sharply year over year due to the coronavirus pandemic.

Kevin Johnson, president and CEO said "I am very pleased with our start to fiscal 2021, with meaningful, sequential improvements in quarterly financial results despite ongoing business disruption from the pandemic. Investments in our partners, beverage innovation and digital customer relationships continued to fuel our recovery and position Starbucks for long-term, sustainable growth."

| Quarter Ending   | 12/2020      |
|------------------|--------------|
| Report Date      | Jan 26, 2021 |
| Sales Surprise   | -1.78%       |
| EPS Surprise     | 10.91%       |
| Quarterly EPS    | 0.61         |
| Annual EPS (TTM) | 0.98         |

### Discussion on Earnings, Revenues & Comps

In the quarter under review, the company reported adjusted earnings per share of 61 cents, which beat the Zacks Consensus Estimate of 55 cents. In the prior-year quarter, the company had reported adjusted earnings per share of 79 cents.

Total revenues were \$6,749.4 million, which missed the Zacks Consensus Estimate of \$6,873 million. However, the top line fell 4.9% from the year-ago quarter. The downside was due to dismal global retail and comparable sales, and decline in store traffic.

Global comparable store sales fell 5% compared with a decline of 9% in fourth-quarter fiscal 2020. Global comps declined due to 19% fall in comparable transactions, marginally offset by 17% increase in average ticket.

Starbucks opened 278 net new stores worldwide in the fiscal first quarter, bringing the total store count to 32,938. Global store growth came in at 4% on a year-over-year basis.

### Overall Margin Contracts in Q1

On a non-GAAP basis, operating margin came in at 15.5% compared with 18.2% in the prior-year quarter. The downtrend can be attributed to sales deleverage, growth in wages and Americas store portfolio optimization expenses.

### Segmental Performance

In fourth-quarter fiscal 2019, the company realigned its operating segments. Specifically, the China/Asia Pacific segment and Europe, Middle East and Africa segment have been combined into one International segment.

Results of Siren Retail — which is a non-reportable operating segment consisting of Starbucks Reserve TM Roastery & Tasting Rooms, Starbucks Reserve brand and Princi operations — were previously included within Corporate and Other. It now reports within Americas and International segments based on the geographical location of operations.

**Americas:** Net revenues in this flagship segment were \$4,703.2 million, down 6% year over year. Although the segment revenues in the quarter under review benefited from 105 net new store openings in a year's time, it was offset by 6% comparable store sales decline, and decrease in product sales and royalty revenues from its licensees due to the coronavirus outbreak.

Operating margin in the Americas segment contracted to 17.3%, down 460 basis points year over year. The downtrend can primarily be attributed to increase in expenses owing to Americas store portfolio optimization, sales deleverage and additional costs incurred due to the pandemic and increase in retail partner benefits and wages.

**International:** Net revenues rose 5% year over year to \$1,654.3 million in the segment, courtesy of 1,038 net new store openings over the past 12 months. The gain was primarily overshadowed by decline in product sales and royalty revenues from the company's international licensees. International comparable store sales declined 3% in the quarter due to the coronavirus pandemic.

Adjusted operating margin in the segment fell to 16.6% from 17.6% in the year-ago quarter owing to sales deleverage.

Comps in China increased 5%, driven by 9% increase in average ticket. The gain was partially overshadowed by 3% decline in transactions.

**Channel Development:** Net revenues in the segment declined 25% from the prior-year quarter's figure to \$371.4 million. The decline was primarily due to nearly 22% unfavorable impact of Global Coffee Alliance transition-related activities, which includes structural change in its single-serve business and negative impact of COVID-19 on the Foodservice business. Moreover, operating margin expanded 1,320 basis points to 48.7%.

### Guidance

The company updated fiscal 2021 GAAP earnings guidance. Management noted that fiscal year 2021 is a 53-week year instead of the normal 52 weeks. The company continues to anticipate global comparable sales to increase between 18% and 23% in fiscal 2021. Moreover, the company continues to anticipate Americas and U.S. comparable store sales to improve in the range of 17% to 22% in fiscal 2021. International comps for the fiscal 2021 are expected in the band of 25% to 30%. The company anticipates China comparable store sales growth to be 27-32%.

The company continues to expect to open nearly 2,150 (850 stores in Americas and 1,300 internationally) new stores and 1,100 (50 stores in Americas and 1,050 in internationally) net new stores worldwide in fiscal 2021. In China, the company anticipates to open 600 net new stores.

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The company projects consolidated revenues in the range of \$28 billion to \$29 billion, inclusive of a \$500 million impact attributable to the 53rd week. Channel development revenues are expected in the range of \$1.4 billion to \$1.6 billion. Moreover, adjusted operating margin expected between 16% and 17%.

Moreover, for full-year earnings is expected in the range of \$2.70 to \$2.90. The Zacks Consensus Estimate for fiscal 2021 earnings currently stands at \$2.80. However, the company expects GAAP earnings in the range of \$2.42 to \$2.62, down from the prior estimate of \$2.34 to \$2.54.

Non-GAAP earnings for the fiscal second quarter are anticipated to be 45-50 cents. The Zacks Consensus Estimate for the fiscal second-quarter earnings is currently pegged at 59 cents. In second quarter fiscal 2021, the company expects comparable sales growth in the range of 5% to 10%.

#### **Other Financial Updates**

The company ended the quarter with cash and cash equivalents of \$5,028.1 million compared with \$4,350.9 million at the end of Sep 27, 2020. As of Dec 27, 2020, long-term debt is at \$14,673.5 million compared with \$14,659.6 million as of Sep 27, 2020.

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## Valuation

Starbucks shares are up 10.6% in the year-to-date period and 57.1% in the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up by 10.7% and 1.6%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is up 46.3% and the sector is up 36.1%.

The S&P 500 index is up by 12.3% in the year-to-date period and 51.2% in the past year.

The stock is currently trading at 37.24X forward 12-month earnings, which compares to 30.94X for the Zacks sub-industry, 32.53X for the Zacks sector and 23.29X for the S&P 500 index.

Over the past five years, the stock has traded as high as 88.46X and as low as 18.15X, with a 5-year median of 25.99X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$125 price target reflects 39.43X forward 12-month earnings.

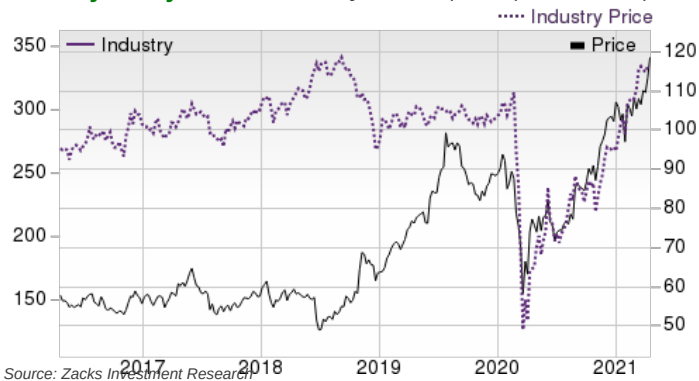
The table below shows summary valuation data for SBUX.

| Valuation Multiples - SBUX |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                   | Current       | 37.24 | 30.94        | 32.53  | 23.29   |
|                            | 5-Year High   | 88.46 | 34.23        | 34.1   | 23.83   |
|                            | 5-Year Low    | 18.15 | 20.37        | 19.13  | 15.3    |
|                            | 5-Year Median | 25.99 | 23.12        | 23.81  | 18.01   |
| P/S F12M                   | Current       | 4.66  | 4.34         | 1.41   | 4.83    |
|                            | 5-Year High   | 4.66  | 4.34         | 1.41   | 4.83    |
|                            | 5-Year Low    | 2.29  | 2.81         | 0.84   | 3.21    |
|                            | 5-Year Median | 3.45  | 3.38         | 1.02   | 3.71    |
| EV/EBITDA TTM              | Current       | 45.79 | 25.83        | 19.95  | 18.78   |
|                            | 5-Year High   | 45.79 | 25.83        | 20.84  | 18.78   |
|                            | 5-Year Low    | 13.72 | 10.72        | 11.19  | 9.62    |
|                            | 5-Year Median | 19.35 | 14.65        | 13.31  | 13.37   |

As of 04/16/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 41% (105 out of 254)



## Top Peers

| Company (Ticker)                   | Rec        | Rank |
|------------------------------------|------------|------|
| Darden Restaurants, Inc. (DRI)     | Outperform | 1    |
| Bloomin Brands, Inc. (BLMN)        | Neutral    | 3    |
| Chipotle Mexican Grill, Inc. (CMG) | Neutral    | 3    |
| Dominos Pizza Inc (DPZ)            | Neutral    | 3    |
| McDonalds Corporation (MCD)        | Neutral    | 3    |
| The Wendys Company (WEN)           | Neutral    | 3    |
| Yum Brands, Inc. (YUM)             | Neutral    | 2    |
| Yum China Holdings Inc. (YUMC)     | Neutral    | 4    |

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

| Industry Comparison Industry: Retail - Restaurants |           |            |           | Industry Peers |           |           |
|----------------------------------------------------|-----------|------------|-----------|----------------|-----------|-----------|
|                                                    | SBUX      | X Industry | S&P 500   | DPZ            | MCD       | YUM       |
| Zacks Recommendation (Long Term)                   | Neutral   | -          | -         | Neutral        | Neutral   | Neutral   |
| Zacks Rank (Short Term)                            | 2         | -          | -         | 3              | 3         | 2         |
| VGM Score                                          | D         | -          | -         | A              | D         | C         |
| Market Cap                                         | 139.32 B  | 891.61 M   | 30.15 B   | 15.32 B        | 173.90 B  | 35.25 B   |
| # of Analysts                                      | 14        | 6          | 12        | 13             | 17        | 10        |
| Dividend Yield                                     | 1.52%     | 0.00%      | 1.28%     | 0.95%          | 2.21%     | 1.69%     |
| Value Score                                        | F         | -          | -         | C              | D         | D         |
| Cash/Price                                         | 0.04      | 0.07       | 0.06      | 0.03           | 0.02      | 0.02      |
| EV/EBITDA                                          | 47.91     | 15.18      | 17.10     | 23.88          | 22.57     | 26.21     |
| PEG F1                                             | 3.25      | 3.34       | 2.40      | 2.57           | 3.20      | 2.51      |
| P/B                                                | NA        | 5.00       | 4.08      | NA             | NA        | NA        |
| P/CF                                               | 48.03     | 24.95      | 17.07     | 28.45          | 27.62     | 28.27     |
| P/E F1                                             | 41.67     | 39.41      | 22.39     | 30.83          | 27.74     | 30.14     |
| P/S TTM                                            | 6.01      | 1.83       | 3.46      | 3.72           | 9.05      | 6.24      |
| Earnings Yield                                     | 2.40%     | 2.31%      | 4.41%     | 3.24%          | 3.60%     | 3.32%     |
| Debt/Equity                                        | -1.86     | 0.41       | 0.66      | -1.25          | -4.50     | -1.30     |
| Cash Flow (\$/share)                               | 2.46      | 0.67       | 6.78      | 13.88          | 8.44      | 4.18      |
| Growth Score                                       | C         | -          | -         | A              | D         | B         |
| Historical EPS Growth (3-5 Years)                  | -2.78%    | -2.91%     | 9.34%     | 30.94%         | 5.77%     | 0.49%     |
| Projected EPS Growth (F1/F0)                       | 142.43%   | 69.72%     | 15.70%    | 6.63%          | 38.86%    | 8.20%     |
| Current Cash Flow Growth                           | -41.66%   | -41.66%    | 0.61%     | 17.39%         | -17.42%   | 3.17%     |
| Historical Cash Flow Growth (3-5 Years)            | -2.85%    | -2.17%     | 7.37%     | 18.25%         | 0.10%     | -6.13%    |
| Current Ratio                                      | 1.06      | 1.01       | 1.39      | 1.85           | 1.01      | 1.01      |
| Debt/Capital                                       | NA%       | 46.50%     | 41.26%    | NA             | NA        | NA        |
| Net Margin                                         | 2.87%     | -3.54%     | 10.59%    | 11.93%         | 24.63%    | 15.99%    |
| Return on Equity                                   | -14.55%   | -13.33%    | 14.98%    | -14.44%        | -51.75%   | -13.85%   |
| Sales/Assets                                       | 0.80      | 0.76       | 0.51      | 2.67           | 0.38      | 0.93      |
| Projected Sales Growth (F1/F0)                     | 21.40%    | 12.25%     | 7.43%     | 4.22%          | 14.88%    | 12.25%    |
| Momentum Score                                     | F         | -          | -         | B              | A         | B         |
| Daily Price Change                                 | 1.44%     | 0.26%      | 0.49%     | 0.47%          | 0.78%     | 0.38%     |
| 1-Week Price Change                                | 3.47%     | 0.93%      | 1.54%     | 4.54%          | 2.78%     | 4.70%     |
| 4-Week Price Change                                | 9.96%     | -0.88%     | 5.18%     | 8.52%          | 4.57%     | 9.00%     |
| 12-Week Price Change                               | 13.16%    | 17.11%     | 11.23%    | 3.60%          | 9.16%     | 9.44%     |
| 52-Week Price Change                               | 60.98%    | 93.62%     | 59.10%    | 9.53%          | 29.85%    | 47.37%    |
| 20-Day Average Volume (Shares)                     | 6,177,777 | 222,346    | 1,960,937 | 504,182        | 2,947,060 | 1,450,669 |
| EPS F1 Estimate 1-Week Change                      | 0.08%     | 0.00%      | 0.00%     | -0.02%         | 0.21%     | 0.41%     |
| EPS F1 Estimate 4-Week Change                      | 0.25%     | 0.59%      | 0.04%     | 0.76%          | 0.43%     | 0.41%     |
| EPS F1 Estimate 12-Week Change                     | 1.08%     | -1.13%     | 1.93%     | 0.12%          | 1.70%     | 1.01%     |
| EPS Q1 Estimate Monthly Change                     | 0.00%     | 0.00%      | 0.00%     | 0.50%          | 0.34%     | 0.42%     |

Source: Zacks Investment Research



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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

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

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

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

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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## Disclosures

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## Additional Disclosure

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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