Signet Jewelers (SIG)

$42.78 (As of 01/12/21)

Price Target (6-12 Months): **$46.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/04/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: B | Momentum: A	

Summary

Signet's shares have risen and outperformed the industry in the past six months. Sturdy digital operations are favoring the company's performance. In third-quarter fiscal 2021, e-commerce sales skyrocketed 71.4% year on year. Investments to drive OmniChannel capabilities and virtual selling are aiding traffic growth. Additionally, the company's third-quarter performance gained from the Path-to-Brilliance initiative coupled with pent-up demand from the preceding quarter as well as marketing and promotional efforts to boost early holiday demand. Going ahead, the company is concerned regarding dismal retail store traffic trends, stemming from the coronavirus pandemic-led social distancing norms, capacity constraints and store closures. In fact, management expects the pandemic to adversely impact same-store sales in December.

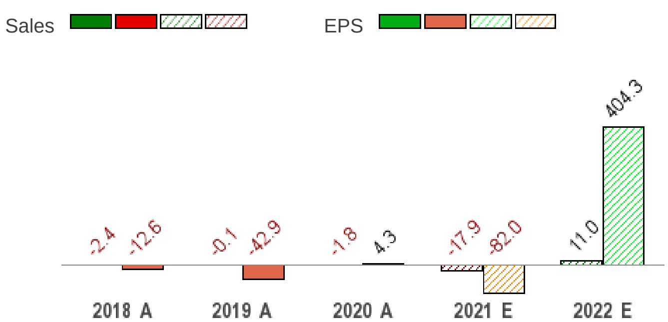
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$42.91 - $5.60**
20-Day Average Volume (Shares)	**1,214,298**
Market Cap	**$2.2 B**
Year-To-Date Price Change	**56.9%**
Beta	**2.67**
Dividend / Dividend Yield	**$0.37 / 0.9%**
Industry	**Retail - Jewelry**
Zacks Industry Rank	**Top 29% (74 out of 253)**
Last EPS Surprise	**114.3%**
Last Sales Surprise	**16.5%**
EPS F1 Estimate 4-Week Change	**19.9%**
Expected Report Date	**03/25/2021**
Earnings ESP	**14.5%**
P/E TTM	**40.4**
P/E F1	**61.1**
PEG F1	**9.4**
P/S TTM	**0.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022					5,594 E
2021	852 A	888 A	1,300 A	1,998 E	5,038 E
2020	1,432 A	1,364 A	1,188 A	2,153 A	6,137 A

EPS Estimates

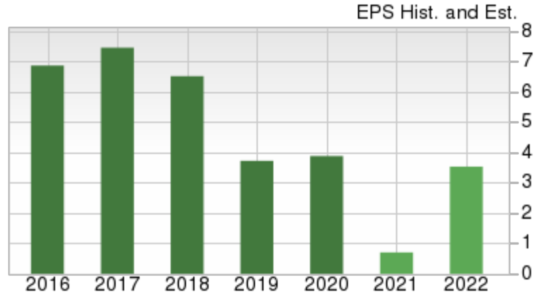
	Q1	Q2	Q3	Q4	Annual*
2022	-$0.32 E	$0.14 E	$0.09 E	$3.57 E	$3.53 E
2021	-$1.59 A	-$1.13 A	$0.11 A	$3.00 E	$0.70 E
2020	$0.08 A	$0.51 A	-$0.76 A	$3.67 A	$3.88 A

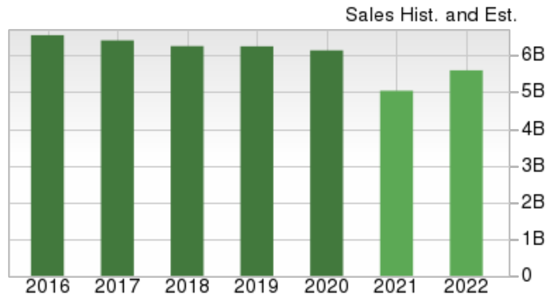
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/12/2021. The reports text is as of 01/13/2021.

Overview

Founded in 1950, and headquartered in Hamilton, Bermuda, Signet Jewelers Limited (SIG) is a retailer of diamond jewelry, watches as well as other products. The company operates in the U.S., Canada, U.K., the Republic of Ireland, and the Channel Islands. The company is often considered as the leading retailer of diamond jewelry.





Signet Jewelers reports operating results under the following divisions:

North America Segment (90.7% of FY20 Net Sales) consists of the legacy Sterling Jewelers and Zale units. The North America reportable segment operates across the United States and Canada. The U.S. stores operate nationally in malls and off-mall locations like Kay, Jared, Zales and Piercing Pagoda. The Canadian stores operate under the Peoples Jewellers banner and Mappins Jewellers regional banner. This segment also operates a variety of mall-based regional brands, including Gordon's Jewelers in the United States and Mappins in Canada along with the JamesAllen.com website, acquired through R2Net.

International Segment (8.4% of FY20 Net Sales), which consists of the legacy UK Jewelry division, operates stores in the United Kingdom, Republic of Ireland and Channel Islands. These stores operate as H.Samuel and Ernest Jones banners in shopping malls and off-mall locations

Other (0.9% of FY20 Net Sales) reportable segment comprises all non-reportable segments, which are below the quantifiable threshold for separate disclosure. These consist of subsidiaries involved in the purchasing and conversion of rough diamonds to polished stones as well as unallocated corporate administrative operations.

Source: Zacks Investment Research

Reasons To Buy:

Signet is progressing well with its 'Path to Brilliance' Plan, which focuses on customer-centric approach, omni-channel growth and cost-saving actions.

- **Impressive Q3 Show:** Signet reported stellar third-quarter fiscal 2021 results, with the top and the bottom line beating the Zacks Consensus Estimate and improving year over year. Notably, this was the company's second straight quarter of sales and earnings beat. Gains from Signet's Path-to-Brilliance initiative coupled with pent-up demand from the preceding quarter as well as marketing and promotional efforts to boost early holiday demand drove the top line. Moreover, brick-and-mortar same-store sales increased 6.8%, reflecting gains from continued shift of the company's store base to off-mall locations. Moreover, management highlighted that more than 90% of its store base remained open in the reported quarter. Online sales also remained solid during the quarter. We note that Signet is progressing well with its strategies to boost online sales, customer shopping experiences, product assortments as well as agility across operations. Such sound business fundaments has been aiding the stock, which improved 155.7% in the past six months, compared with the industry's rally of 130.8%

- **Enhancement of Omni-channel & Digital Capabilities:** Signet has been boosting online shopping experience with advanced virtual and digitally native experiences. In fact, omni-channel and e-commerce capabilities are key aspects of the company's 'Signet Path to Brilliance' Plan. Notably, during third-quarter fiscal 2021, e-commerce sales skyrocketed 71.4% from the prior-year quarter's level to $238.8 million. Online sales contributed 18.4% to the company's total sales during the quarter. The upside was driven by the company's continued efforts to bolster OmniChannel capabilities.

  Signet has been focusing on developing channel-agnostic retailer capabilities. This enables store staff to cater to customers from home via technology such as chat, video, social media and virtual by-appointment private consultations. The company's investment in virtual selling is aiding higher levels of conversion in digital and retail foot traffic. It has empowered more than 20,000 store associates to engage with customers via virtual selling. To further support growth in the digital arena, the company is broadening online assortments alongside search and browse capabilities. It has also been enhancing payment options available for customers across its digital platform. Management highlights that its superior digital and analytics capabilities are helping to drive its OmniChannel strategy, resulting in growth across channels. In fact, the company prides on being one of the leading data-driven OmniChannel retailers in the jewelry industry. We expect the company to keep gaining from its endeavors to boost online sales.

- **'Signet Path to Brilliance' Strategy:** In an effort to drive long-term growth, Signet announced strategic initiatives 'Signet Path to Brilliance' Plan in March 2018. Notably, this three-year strategic initiative comprises focusing on customer-centric growth actions, enhancing efficiency across omni-channel, and most importantly driving cost effectiveness. The initiative includes the customer-first approach, per which the company strives to build brands that meet consumers' needs more effectively. Owing to COVID-19 and the consequently evolving retail backdrop, Signet has been accelerating its Path to Brilliance initiatives. Markedly, robust execution of the Path to Brilliance initiative supported Signet's third-quarter fiscal 2021 results.

  Management expects its Path to Brilliance strategies to continue yielding and thereby position it for long term growth. Accordingly the company plans to continue providing customers with improved merchandise selections. It has updated the jewelry assortment to resonate with customers' preferences via refreshing core items, launching products, and advancing customization options. Also, it has been optimizing its virtual footprint via enhancing site capabilities. In the context of Signet's commitment to a culture of agility and efficiency, it has been generating structural cost savings and working-capital improvements. The company is taking out unproductive expenses and investing funds in areas of growth, such as in OmniChannel platform. Being in the third year of Path to Brilliance initiative, the company anticipates net savings of at least $285 million compared with its original target of $225 million. It has already accomplished $185-million net cost savings over the first two years of Path to Brilliance. As earlier said, the company projects a minimum of $100 million of structural cost savings in fiscal 2021. The savings are likely to include workforce reductions, direct sourcing, store operating and inventory-related costs, indirect spend as well as occupancy costs.

- **Store Optimization Plans:** As part of the company's fiscal 2021 store optimization plans, it has closed 316 stores, out of its previously announced plans to shutter 380 stores. The company is on track with optimizing its store fleet by shifting to off mall locations, which is likely to help in occupancy cost reduction as well as boost performance. It currently has more than 90% of its total fleet open. As of Oct 31, 2020, the company had 2,893 stores. During third quarter of fiscal 2021, the company's store count declined by 22. Apart from this, the company is striving to ensure a safe shopping environment across its physical stores. In this respect the company implemented the Love Takes Care safety program, across stores. The program has been formulated in collaboration with leading healthcare experts, for creating a safe store environment for employees and customers. Additionally, the company has been taking advantage of hyper-local and data driven approach. This allows the company to transfer crucial data from closed stores to other physical locations or virtual channels.

- **Catalysts Driving Growth:** Signet remains committed to improve top- and bottom-line performance in the long run by leveraging capital investments made over the years in distribution, manufacturing and diamond sourcing processes. The company remains focused on evolving its brand, solidifying position in core markets, increasing operating model efficiency and enriching overall organization.It remains committed to elevating in-store experience and replenishing product portfolio. The company is also working with its vendors to come up with new assortment ideas. Moreover, Signet is focused on opening smaller format stores that enhance customer experience, which in turn boosts store productivity. Also, the company is on track with its innovation and increasing customer value. It emphasizes on inspiring flagship brands, right value and on-trend product. To this end, it is focused on improving marketing and promotional strategies. Moreover, the company is resorting to earlier and longer promotional periods, increased concierge locations and advanced fulfillment capabilities to resonate with customer demand this holiday season.

Reasons To Sell:

Signet is cautious regarding dismal store sales in December owing to the pandemic-led soft traffic trends..

- **Pandemic Related Challenges:** Management expects the pandemic to continue hurting traditional in-store shopping behavior as the company enters fourth-quarter fiscal 2021. Fourth-quarter to date through Nov 30, preliminary same-store sales rose nearly 3% year over year. However, the metric for the Thanksgiving weekend through Monday declined low single digits owing to dismal retail store traffic trends, somewhat mitigated by increased conversion rates, migration to digital platform and elevated transaction value. Moreover, management believes same-store sales could be hurt in December by soft retail store traffic trends, social-distancing capacity constraints and store closures due to the pandemic. Due to the ongoing uncertainties, it did not issue any financial guidance. However, it believes pandemic challenges will have a more profound effect in December than it had in November.

- **Debt Analysis:** As of Oct 31, 2020, Signet had long-term debt (including operating lease liabilities) of $2,226.5 million which shows an increase from $1,953.6 as on Feb 1, 2020. Its debt-to-capitalization ratio at third-quarter fiscal 2021 end stands at 0.53 higher than that of the industry's ratio of 0.36. We note that Signet ended the fiscal second quarter with cash and cash equivalents of $1,332.6 million.

- **Prone to Currency Fluctuations:** Signet generates a significant amount of net sales outside the United States. Due to exposure to international markets, it remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside of the U.S. An increase in price may have an adverse impact on the demand for the products. Net sales fall victim of the adverse foreign currency fluctuations that lower value of the sales generated in the overseas market and also result in reduced spending by tourists.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse. Consumers prefer purchasing essentials before splurging on discretionary items.

Last Earnings Report

Signet Q3 Earnings Top, Path-to-Brilliance Plan on Track

Quarter Ending	10/2020
Report Date	Dec 03, 2020
Sales Surprise	16.51%
EPS Surprise	114.29%
Quarterly EPS	0.11
Annual EPS (TTM)	1.06

Signet reported stellar third-quarter fiscal 2021 results. Both the top and the bottom line not only beat the Zacks Consensus Estimate but also improved year over year. Notably, this was the company's second straight quarter of sales and earnings beat. Quarterly results gained from the robust execution of the Path-to-Brilliance strategy, and solid digital and marketing efforts. The company witnessed pent-up demand as stores reopened. Signet's e-commerce platform played a pivotal role during the quarter.

Signet Swings Back to Profit

After witnessing a loss of $1.13 per share in the fiscal second quarter, this jewelry retailer posted a surprise profit. The company reported adjusted earnings of 11 cents per share against the Zacks Consensus Estimate of a loss of 77 cents. We note that the company recorded adjusted loss of 76 cents a share in the year-ago quarter.

This jewelry retailer generated total sales of $1,300.3 million that surpassed the Zacks Consensus Estimate of $1,116 million. The top line also increased 9.5% year over year and 9% on a constant-currency (cc) basis. Further, total same-store sales rose 15.1%. Gains from Signet's Path-to-Brilliance initiative coupled with pent-up demand from the preceding quarter, and marketing and promotional efforts to boost early holiday demand aided top-line performance.

Meanwhile, e-commerce sales skyrocketed 71.4% from the prior-year quarter's level to $238.8 million. Brick-and-mortar same-store sales grew 6.8%, reflecting gains from continued shift of the company's store base to off-mall locations.

A Sneak Peek Into Margins

We note that adjusted gross profit increased 18.3% to $436.5 million, while adjusted gross margin expanded 250 bps to 33.6% mainly owing to increased sales and lower store-occupancy expenses.

Selling, general & administrative expenses dropped 2.3% to $389.3 million, courtesy of reduced labor and operating costs, which were partly offset by higher advertising investments in relation to extended holiday selling period expenses. However, store labor costs are likely to increase in the fiscal fourth quarter as the company has implemented extended holiday shopping hours as well as more than 2,000 concierge stations.

Further, the company reported adjusted operating income of $46.8 million against an adjusted operating loss of $29.3 million in the year-ago quarter.

Segment Discussion

Sales in the North America segment increased 10.5% on a reported basis to $1,182.7 million. Further, same-store sales jumped 15.8% from the year-ago quarter's levels. Average transaction value ("ATV") rose 0.5%, while the number of transactions climbed 14.3%

The segment's e-commerce sales surged 72.7%, while brick-and-mortar same-store sales jumped 7.5%. Encouragingly, the North America unit has been expanding payment options to provide customers with a broad array of alternatives, including offerings across its digital platform. Signet is experiencing momentum in the new options such as Affirm and Progressive leasing, and it now accepts Apple Pay and Google Pay.

Sales in the International segment inched up 0.6% on a reported basis to $106.9 million. Same-store sales at the segment edged up 7.8% year over year. Further, ATV increased 17.7%, while number of transactions fell 7.6%. Meanwhile, e-commerce sales rose 58.4%, while brick-and-mortar same-store sales rose 0.5%.

Financial Details

Signet ended the quarter with cash and cash equivalents of $1,332.6 million, accounts receivable, net of $58.3 million and net inventories of $2,174 million. Long-term debt was $1,036.2 million and total shareholders' equity was $915.9 million at the end of the quarter.

For the 39-week period ended Oct 31, 2020, the company generated net cash of $606.7 million from operating activities. It had free cash flow of $565.6 million during the aforementioned period.

Path to Brilliance and Other Updates

Signet has been progressing well with its Path-to-Brilliance initiative of Customer First, OmniChannel, and developing a Culture of Agility and Efficiency. It has updated the jewelry assortment to resonate with customers' preferences via refreshing core items, launching products, and advancing customization options.

With respect to Signet's OmniChannel strategy, the company has been making investments in technology and talent. It is offering advice and consultation via Buy Online Pick up In Store, livestreamed events and one-on-one virtual appointments, including a jewelry consultant.

In the context of Signet's commitment to a Culture of Agility and Efficiency, it has been generating structural cost savings and working capital improvements. As earlier said, the company projects a minimum of $100 million of structural cost savings, bringing the three-year cumulative total to at least $285 million.

Further, the company has a diversified real estate portfolio. As of Oct 31, 2020, it had 2,893 stores. In the reported quarter, store count declined by 22. Out of the 380 store closures planned for fiscal 2021, the company has shuttered 316 by the end of the reported quarter. Majority of closings were in traditional mall locations.

Outlook

Management expects the pandemic to continue hurting traditional in-store shopping behavior as the company enters the fiscal fourth quarter. Fourth-quarter to date through Nov 30, preliminary same-store sales grew nearly 3% year over year. However, the metric for the Thanksgiving weekend through Monday declined low single digits owing to dismal retail store traffic trends, somewhat mitigated by increased conversion rates, migration to digital platform and elevated transaction value. Moreover, management believes same-store sales could be hurt in December by soft retail store traffic trends, social-distancing capacity constraints and store closures due to the pandemic. Nonetheless, it has taken additional measures to control high-traffic days, which include earlier and longer promotional periods, additional labor, concierge locations and advanced fulfillment capabilities to resonate with customer demand this holiday season. Owing to the ongoing uncertainties, it did not issue any financial guidance. However, it believes pandemic challenges will have a more profound effect in December than it had in November.

Valuation

Signet shares are up 155.7% in the past six months and up nearly 84.7% in the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 130.8% and 12.1%, respectively, in the past six months. Over the past year, the sub-industry and the sector are up 57.9% and 35.2%, respectively.

The S&P 500 index is up 19.6% in the past six months and 20.5% in the past year.

The stock is currently trading at 0.41X forward 12-month sales, which compares to 0.22X for the Zacks sub-industry, 1.32X for the Zacks sector and 4.53X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.45X and as low as 0.06X, with a 5-year median of 0.5X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $46 price target reflects 0.44X forward 12-month sales.

The table below shows summary valuation data for SIG

Valuation Multiples - SIG

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.41	0.22	1.32	4.53
	5-Year High	1.45	1.2	1.33	4.53
	5-Year Low	0.06	0.07	0.84	3.2
	5-Year Median	0.5	0.47	1.02	3.68
P/B TTM	Current	2.45	2.08	5.66	6.53
	5-Year High	3.48	2.94	6.49	6.58
	5-Year Low	0.25	0.33	3.7	3.73
	5-Year Median	1.55	1.45	5.1	4.94
P/CF TTM	Current	2.18	3.92	16.16	20.87
	5-Year High	25	19.17	19.02	23.63
	5-Year Low	0.63	3.92	11.04	12.87
	5-Year Median	2.01	11.58	13.49	18.44

As of 01/12/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 29% (74 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Guess, Inc. **(GES)**	Outperform	1
L Brands, Inc. **(LB)**	Outperform	1
Ralph Lauren Corporation **(RL)**	Outperform	1
Abercrombie & Fitch Company **(ANF)**	Neutral	3
CHOW TAI FOOK **(CJEWY)**	Neutral	2
Carters, Inc. **(CRI)**	Neutral	3
Movado Group Inc. **(MOV)**	Neutral	3
Stitch Fix, Inc. **(SFIX)**	Neutral	3

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

Industry Comparison Industry: Retail - Jewelry

	SIG	X Industry	S&P 500	CJEWY	MOV	RL
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	2	3	1
VGM Score	A	-	-	B	D	F
Market Cap	2.24 B	486.61 M	26.90 B	13.25 B	486.61 M	8.37 B
# of Analysts	3	2	13	1	1	6
Dividend Yield	0.86%	0.00%	1.41%	2.80%	0.00%	0.00%
Value Score	A	-	-	C	B	F
Cash/Price	0.68	0.16	0.06	NA	0.39	0.31
EV/EBITDA	5.04	4.93	15.05	NA	4.82	12.32
PEG F1	9.40	7.60	2.62	NA	NA	10.56
P/B	2.44	3.84	3.76	3.84	1.25	3.29
P/CF	4.93	20.00	14.67	26.33	13.67	10.85
P/E F1	61.11	50.59	20.85	22.84	40.35	89.69
P/S TTM	0.43	0.92	3.00	NA	0.94	1.78
Earnings Yield	1.64%	2.06%	4.69%	4.38%	2.48%	1.12%
Debt/Equity	1.13	0.51	0.70	NA	0.10	0.64
Cash Flow ($/share)	8.68	0.35	6.93	0.50	1.53	10.55
Growth Score	B	-	-	B	F	F
Historical EPS Growth (3-5 Years)	-36.12%	-27.87%	9.72%	NA	-19.62%	-7.53%
Projected EPS Growth (F1/F0)	-81.87%	-53.61%	12.36%	56.76%	-66.88%	-80.54%
Current Cash Flow Growth	-60.42%	-28.80%	5.22%	-28.80%	-31.56%	-10.72%
Historical Cash Flow Growth (3-5 Years)	-4.93%	6.27%	8.37%	NA	-3.81%	-4.88%
Current Ratio	2.26	2.57	1.38	NA	3.54	2.51
Debt/Capital	64.58%	39.80%	41.97%	NA	9.30%	39.06%
Net Margin	-1.62%	-14.13%	10.44%	NA	-26.64%	-1.74%
Return on Equity	9.73%	9.73%	15.37%	NA	1.26%	5.14%
Sales/Assets	0.79	0.75	0.50	NA	0.71	0.62
Projected Sales Growth (F1/F0)	-17.91%	0.00%	6.00%	6.83%	0.00%	-28.72%
Momentum Score	A	-	-	D	C	B
Daily Price Change	9.22%	2.03%	0.57%	2.79%	11.12%	3.54%
1-Week Price Change	36.78%	5.69%	2.23%	1.80%	8.78%	5.53%
4-Week Price Change	58.03%	8.28%	3.70%	3.52%	20.92%	13.91%
12-Week Price Change	81.35%	29.88%	14.39%	1.61%	76.90%	55.78%
52-Week Price Change	103.71%	11.88%	7.96%	19.58%	4.17%	-4.17%
20-Day Average Volume (Shares)	1,214,298	159,727	1,754,762	3,124	237,742	869,768
EPS F1 Estimate 1-Week Change	19.89%	0.00%	0.00%	0.00%	0.00%	7.89%
EPS F1 Estimate 4-Week Change	19.89%	0.00%	0.06%	0.00%	0.00%	7.89%
EPS F1 Estimate 12-Week Change	246.53%	131.60%	2.55%	-12.12%	940.00%	6.98%
EPS Q1 Estimate Monthly Change	3.57%	1.78%	0.00%	NA	0.00%	75.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	A
Growth Score	B
Momentum Score	A
VGM Score	A

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

Disclosures

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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