Mar 26, 2021

Signet Jewelers (SIG)

$57.10 (As of 03/25/21)

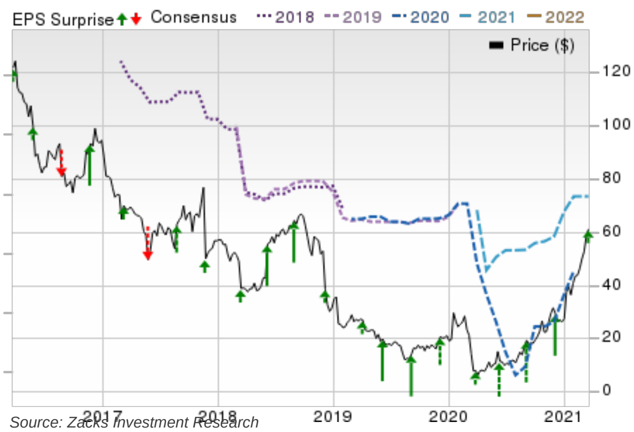
Price Target (6-12 Months): **$61.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/09/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: A | Growth: A | Momentum: A	

Summary

Signet has outperformed the industry in the past three months. Notably, the company has delivered a robust fourth-quarter fiscal 2021, wherein the top and bottom lines beat the Zacks Consensus Estimate and grew year over year. The company, as part of its transformation strategies, is emphasizing on boosting online services. Signet also plans to boost omni-channel capabilities via better connecting physical and digital footprints. Impressively, e-commerce sales grew 70.5% and accounted for 23.4% of the company's top line. Also, its Inspiring Brilliance growth strategy bodes well. However, softness in brick-and-mortar store fleet poses concerns. Moreover, the company plans to increase marketing investments to boost revenues and manage shift in consumer spending. It expects same-store sales to be negative in the second half of fiscal 2022.

Price, Consensus & Surprise



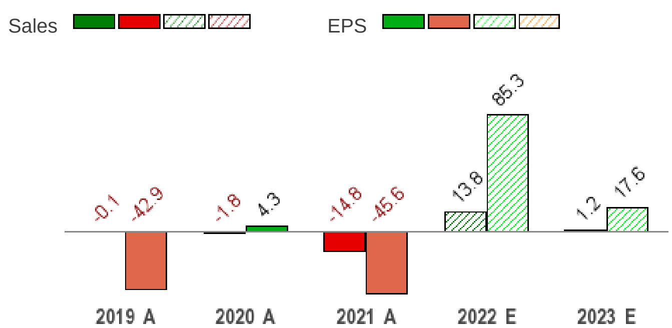
Data Overview

52-Week High-Low	**$65.84 - $5.72**
20-Day Average Volume (Shares)	**937,978**
Market Cap	**$3.0 B**
Year-To-Date Price Change	**109.4%**
Beta	**2.63**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Retail - Jewelry**
Zacks Industry Rank	**Top 43% (110 out of 253)**

Last EPS Surprise	**15.6%**
Last Sales Surprise	**5.3%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**06/08/2021**
Earnings ESP	**0.0%**

P/E TTM	**37.1**
P/E F1	**14.6**
PEG F1	**2.3**
P/S TTM	**0.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2023					6,018 E
2022	1,457 E	1,221 E	1,198 E	2,072 E	5,948 E
2021	852 A	888 A	1,300 A	2,187 A	5,227 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023					$4.60 E
2022	$0.21 E	-$0.01 E	-$0.05 E	$3.35 E	$3.91 E
2021	-$1.59 A	-$1.13 A	$0.11 A	$4.15 A	$2.11 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 03/25/2021. The report's text and the analyst-provided price target are as of 03/26/2021.

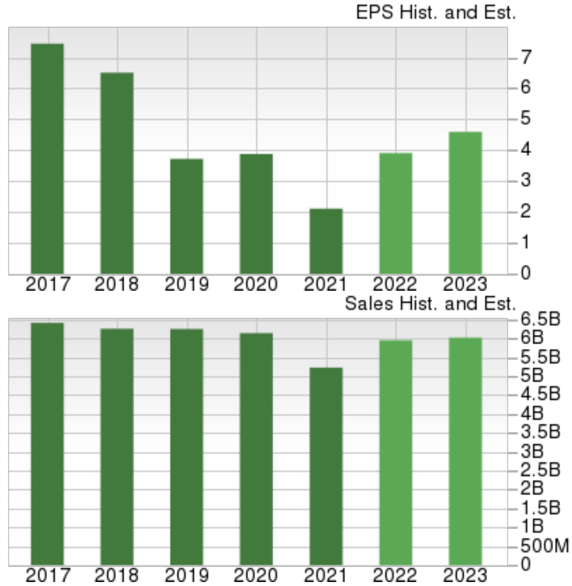
Overview

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 FY21 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 FY21 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 FY21 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's Inspiring Brilliance strategy focuses on expanding big banners, boosting service revenues, broadening the Accessible Luxury and Value segments, and accelerating digital commerce.

▲ **Robust Q4 Results:** Signet posted robust fourth-quarter fiscal 2021 results, wherein the top and bottom lines beat the Zacks Consensus Estimate and also improved year over year. Notably, this was the company's third straight quarter of sales and earnings beat. Even though stores lacked sheen, the quarter gained from sturdy advancement in the digital realm. Management is impressed with the momentum achieved during the quarter, which also marks the third year of its Path to Brilliance transformation. Management is also optimistic about its Inspiring Brilliance strategy. The quarterly top-line results were backed by improved omni-channel capabilities and strengthened product assortment. The company has also been driving operational efficiency via cost control and inventory management. Reaching the three-year mark in its Path to Brilliance transformation, management eliminated $300 million of cumulative costs, outpacing the initial goal. This was driven from efficiencies in labor, store operating and inventory-related costs and direct sourcing. Moreover, it cut above $300 million in operating costs in the past three years and simultaneously reinvested a major part of savings into growth areas. In addition, it reduced inventory by about 11% in the past three years by undertaking inventory disciplines, life cycle management and latest technology tools.

Meanwhile, the company is focused on expanding its customer base through consumer insights and innovation. Driven by gains from product portfolio and personalized marketing, Kay and Zales brands witnessed their strongest quarter. We note that shares of the company have surged 50.2% in the past three months, having outperformed the industry's 23% rally.

▲ **Outlook:** Management anticipates stronger sales performance during the first half of fiscal 2022. For first-quarter fiscal 2022, management expects revenues of $1.42-$1.46 billion versus 852.1 million recorded in the year-ago quarter. Same-store sales for the quarter are expected to be 80-84% against a decline of 38.9% witnessed in the year-earlier quarter. Adjusted operating income is expected to be $40-$60 million. Preliminary same-store sales for the first quarter till Mar 14, 2021, were nearly 16%. Given the sturdy performance in the fiscal first quarter through Mar 18, management plans to continue investing in digital and marketing capabilities. The company's fiscal first-quarter guidance takes into consideration such a rise in investments. Moving on, for fiscal 2022, the company expects revenues of $5.85-$6.00 billion, up from $5.23 billion. Further, same-store sales are expected to be 14-17% against a dip of 10.8% last fiscal. Further, adjusted operating income is anticipated to be $290-$324 million.

▲ **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 fourth-quarter fiscal 2021, e-commerce sales skyrocketed 70.5% from the prior-year quarter's level. Online sales contributed 23.4% to the company's total sales during the quarter. While e-commerce sales in North America segment surged 66% year over year, while the metric at the International segment rose 115.1%. The upside was driven by the company's continued efforts to bolster omni-channel capabilities. Driven by gains from 'Signet Path to Brilliance' Plan, e-commerce sales increased to 23% penetration, surpassing the original target of 15%. The company has been introducing technology tools like conversational messaging, improved text search, virtual try-on and consulting. Encouragingly, management added several new search browse and checkout features during the second half of fiscal 2021. Signet has been focusing on developing channel-agnostic retailer capabilities.

▲ **Inspiring Brilliance Strategy:** Signet is moving into the next phase of its growth strategy — Inspiring Brilliance. The strategy focuses on expanding big banners, boosting service revenues, broadening the Accessible Luxury and Value segments, as well as accelerating digital commerce, amongst others. As part of the Inspiring Brilliance growth strategy, the company will make use of data-driven insights for targeting new and existing customers. It is working toward evolving its Customer First strategy to a consumer-inspired experience, which includes tailored merchandise assortments and expanded services, which offer more innovative and personalized experiences. Signet also plans to boost its omni-channel capabilities by focusing on better connecting physical and digital footprints. The Inspiring Brilliance growth strategy also includes transformational productivity, as part of which the company expects to achieve efficiencies in both gross margin and selling, general and administrative expenses. Such actions are likely to lead to benefits of $175-$200 million over the next three years. The company will continue to work toward achieving capital efficiency.

▲ **Financial Analysis:** Signet ended the quarter with long-term debt of $146.7 million, which shows a significant reduction from $1,036.2 at the end of the preceding quarter. The company has paid down more than $1.3 billion in debt including the full pay down of its revolver. In fact, the company's capital priorities in the long run include investing in the business, paying down debt and maximizing shareholders' value. Again, the company had cash and cash equivalents of $1,172.5 million, accounts receivable, net of $88.7 million, and net inventories of $2,032.5 million, as of Jan 30, 2021. For fiscal, 2021, the company generated net cash of $1,372.3 million from operating activities. It had a free cash flow of $1,289.3 million during the aforementioned period.

▲ **Store Optimization Plans:** Signet made smooth progress with respect to optimizing its store footprint. It shuttered more than a fifth of its locations in the past three years while simultaneously opening and repositioning stores in the proper-trade areas. Notably, this also remains in-line with the company's portfolio banner strategy. Consequently, it lowered its store footprint by over 20%, thus minimizing its exposure in low-performing malls while achieving stronger-than-expected sales transference across the company's new connected commerce model. In fiscal 2021, it closed 428 stores, while opened 53 stores. The company plans to close more than 100 stores in fiscal 2022 alongside opening up to 100 locations. Meanwhile, management has been enhancing customer experience, integrating digital and physical forming part of an integrated, data-driven omni-channel approach.

Reasons To Sell:

Signet witnesses softness across its brick-and-mortar store fleet. Moreover, management anticipates same-store sales to remain negative during the second half of fiscal 2022.

- **Soft Brick-and-Mortar Sales:** Although total sales increased during the fourth quarter of fiscal 2021, the company's brick-and-mortar same-store sales declined 4.2% year over year. Further, brick-and-mortar same-store sales declined 56.2% year over year at the International segment. Also, same-store sales at the segment dropped 28.3% in the reported quarter. Consequently, gross profit declined 3.2% to $869.5 million, while gross margin contracted 190 basis points to 39.8% in the reported quarter. This was mainly owing to strategic promotion as well as reduced levels of service revenues primarily related to lower store traffic.

- **Near-Term Headwinds:** With the progress of the roll-out of vaccinations, management expects a shift in consumer discretionary spending, away from the jewelry category toward experience-oriented categories. Moreover, the company plans to increase marketing investments to keep supporting growth in revenues as well as manage the shift in consumer spending. That said, management expects same-store sales to be negative in the second half of the year. This might lead to higher costs and in turn hurt margins. Also, uncertainty related to the pandemic cannot be ruled out. Additionally, management highlighted that its Inspiring Brilliance growth strategy requires significant investments in digital and other business areas.

- **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 pricesor 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's Q4 Earnings and Sales Beat Estimates

Quarter Ending	01/2021
Report Date	Mar 18, 2021
Sales Surprise	5.27%
EPS Surprise	15.60%
Quarterly EPS	4.15
Annual EPS (TTM)	1.54

Signet reported fourth-quarter fiscal 2021 results, wherein the top and bottom lines beat the Zacks Consensus Estimate and also improved year over year. Notably, this was the company's third straight quarter of sales and earnings beat.

Quarter in Detail

The company reported adjusted earnings of $4.15 per share that beat the Zacks Consensus Estimate of $3.59. Moreover, the bottom line improved 13% on a year-over-year basis.

The jewelry retailer generated total sales of $2,186.5 million that surpassed the Zacks Consensus Estimate of $2,077 million. The top line also increased 1.5% year over year. Further, total same-store sales rose 7% year-on-year.

Meanwhile, e-commerce sales skyrocketed 70.5% from the prior-year quarter's level and accounted for 23.4% of the top line. However, the company's brick-and-mortar same-store sales were down 4.2% year-on-year.

A Sneak Peek Into Margins

We note that gross profit declined 3.2% to $869.5 million, while gross margin contracted 190 basis points (bps) to 39.8%, mainly owing to strategic promotion as well as reduced levels of service revenues primarily related to lower store traffic.

Selling, general & administrative expenses dropped 9.4% year-on-year to $573.8 million. The metric accounted for 26.2% of sales, reflecting a 320-bps improvement, driven by reduced labor, advertising and central expenses.

Further, the company reported an adjusted operating income of $293.8 million, which increased 8.7% from the prior-year quarter. Adjusted operating income margin expanded 80 bps to 13.4%.

Segment Discussion

Same-store sales in the **North America** segment increased 10.4% from the year-ago quarter's levels. The segment's e-commerce sales surged 66% year-on-year, while brick-and-mortar same-store sales inched up 0.6%.

Despite the suppressed traffic conditions in the retail environment, the company's enhanced omni-channel capabilities aided in driving conversion levels. Notably, average transaction value ("ATV") rose 1.1% year-on-year, while the number of transactions climbed 9.9%. Further, management highlighted that same-store sales witnessed growth across all banners in the United States.

Same-store sales in the **International** segment declined 28.3% year over year. Meanwhile, e-commerce sales rose 115.1%, while brick-and-mortar same-store sales declined 56.2%. Further, ATV increased 6.3%, while the number of transactions fell 29.7%.

Financial Details

Signet ended the quarter with cash and cash equivalents of $1,172.5 million, accounts receivable, net of $88.7 million, and net inventories of $2,032.5 million. Long-term debt was $146.7 million and total shareholders' equity was $1,190.3 million at the end of the quarter.

For fiscal, 2021, the company generated net cash of $1,372.3 million from operating activities. It had a free cash flow of $1,289.3 million during the aforementioned period.

For fiscal 2022, it expects capital expenditure of $150-$175 million. Markedly, the company had reduced its capital expenditure in fiscal 2021 to $83 million for conserving cash in response to the pandemic.

Store Update

As of Jan 30, 2021, the company had 2,833 stores. In fiscal 2021, it closed 428 stores, while opened 53 stores. The company plans to close more than 100 stores in fiscal 2022 alongside opening up to 100 locations.

Outlook

For first-quarter fiscal 2022, management expects revenues of $1.42-$1.46 billion. Same-store sales for the quarter are expected to be 80-84%. Adjusted operating income is expected to be $40-$60 million.

Preliminary same-store sales for the first quarter till Mar 14, 2021, were nearly 16%. Given the sturdy performance so far in the fiscal first quarter, management plans to continue investing in digital and marketing capabilities. The company's fiscal first-quarter guidance takes into consideration such a rise in investments.

Moving on, for fiscal 2022, the company expects revenues of $5.85-$6.00 billion, while same-store sales are expected to be 14-17%. Further, adjusted operating income is anticipated to be $290-$324 million.

Recent News

Signet to Increase Minimum Wage – Feb 25, 2021

Signet has announced to increase its U.S. minimum wage to $15 an hour, with latest expansion of pay and benefits for employees. Its latest minimum wage is applicable to all full-time and part-time positions with newly-created roles like virtual jewelry consultants.

Valuation

Signet shares are up 115% in the year-to-date period and up nearly 258.2% in the trailing 12-month period. Stocks in the Zacks sub-industry are up 101.2% while the Zacks Retail-Wholesale sector is up 18.7%, in the year-to-date period. Over the past year, the sub-industry and the sector are up 218.8% and 70.2%, respectively.

The S&P 500 index is up 7.2% in the year-to-date period and 65% in the past year.

The stock is currently trading at 0.57X forward 12-month sales, which compares to 0.28X for the Zacks sub-industry, 1.34X for the Zacks sector and 4.52X for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.41X and as low as 0.06X, with a 5-year median of 0.48X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $61 price target reflects 0.61X 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	0.57	0.28	1.34	4.52
	5-Year High	1.41	1.2	1.34	4.52
	5-Year Low	0.06	0.07	0.84	3.21
	5-Year Median	0.48	0.49	1.02	3.68
P/B TTM	Current	3.29	2.72	4.76	6.48
	5-Year High	3.29	2.97	6.48	6.66
	5-Year Low	0.25	0.38	3.78	3.92
	5-Year Median	1.56	1.41	5.15	4.97
P/CF TTM	Current	2.87	3.22	14.22	23.9
	5-Year High	22.22	21.52	19.02	24.09
	5-Year Low	0.63	0.85	11.01	12.87
	5-Year Median	1.97	3.66	13.62	18.57

As of 03/25/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 43% (110 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Abercrombie & Fitch Company **(ANF)**	Outperform	1
L Brands, Inc. **(LB)**	Outperform	1
CHOW TAI FOOK **(CJEWY)**	Neutral	NA
Guess, Inc. **(GES)**	Neutral	3
Movado Group Inc. **(MOV)**	Neutral	3
Ralph Lauren Corporation **(RL)**	Neutral	3
Stitch Fix, Inc. **(SFIX)**	Neutral	4
Carters, Inc. **(CRI)**	Underperform	5

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	Neutral
Zacks Rank (Short Term)	3	-	-		3	3
VGM Score	A	-	-	-	B	B
Market Cap	2.99 B	141.35 M	28.95 B	13.86 B	591.21 M	8.65 B
# of Analysts	3	1	13	0	1	6
Dividend Yield	0.00%	0.00%	1.39%	2.68%	0.39%	0.00%
Value Score	A	-	-	-	B	C
Cash/Price	0.37	0.06	0.06	0.07	0.29	0.31
EV/EBITDA	7.22	7.29	15.96	NA	6.00	12.22
PEG F1	2.29	NA	2.34	NA	NA	26.42
P/B	2.51	3.75	3.89	3.75	1.38	3.21
P/CF	9.52	13.41	16.21	27.54	3.09	11.21
P/E F1	14.86	16.93	21.41	23.90	12.74	216.40
P/S TTM	0.57	1.21	3.27	NA	1.17	1.97
Earnings Yield	6.85%	5.90%	4.59%	4.18%	7.85%	0.46%
Debt/Equity	0.12	0.12	0.67	0.08	0.05	0.61
Cash Flow ($/share)	6.00	0.38	6.78	0.50	8.25	10.55
Growth Score	A	-	-	NA	C	C
Historical EPS Growth (3-5 Years)	-37.31%	-28.47%	9.32%	NA	-19.62%	-17.92%
Projected EPS Growth (F1/F0)	85.31%	47.62%	14.86%	56.76%	117.39%	-91.67%
Current Cash Flow Growth	-30.86%	-28.80%	0.61%	-28.80%	261.91%	-10.72%
Historical Cash Flow Growth (3-5 Years)	-7.46%	16.36%	7.32%	NA	-3.81%	-4.88%
Current Ratio	1.79	1.79	1.39	1.70	3.93	2.55
Debt/Capital	39.86%	33.09%	41.42%	7.72%	5.28%	37.74%
Net Margin	-0.32%	-11.17%	10.59%	NA	-22.02%	-6.75%
Return on Equity	13.68%	13.68%	14.75%	NA	5.47%	1.84%
Sales/Assets	0.80	0.76	0.51	NA	0.72	0.57
Projected Sales Growth (F1/F0)	13.80%	0.00%	7.02%	6.83%	0.00%	-29.91%
Momentum Score	A	-	-	-	C	A
Daily Price Change	8.72%	0.00%	1.19%	-0.86%	18.61%	3.81%
1-Week Price Change	3.92%	4.04%	-0.30%	4.50%	-4.24%	-1.80%
4-Week Price Change	11.96%	0.12%	3.48%	-3.01%	13.69%	0.61%
12-Week Price Change	109.39%	30.91%	6.97%	8.45%	53.37%	14.03%
52-Week Price Change	499.79%	81.81%	53.41%	96.57%	129.02%	59.18%
20-Day Average Volume (Shares)	937,978	126,264	2,415,072	923	182,764	1,264,780
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	6.84%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	6.84%
EPS F1 Estimate 12-Week Change	15.34%	15.34%	2.09%	0.00%	NA	-53.80%
EPS Q1 Estimate Monthly Change	170.69%	170.69%	0.00%	NA	NA	4.34%

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

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

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

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

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

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.