

Constellation Brands (STZ)

\$223.21 (As of 02/19/21)

Price Target (6-12 Months): **\$234.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: C

Momentum: A

Summary

Constellation Brands has outpaced the industry in the past three months on a robust third-quarter fiscal 2021 performance. Notably, earnings and sales beat estimates and improved year over year. Moreover, it delivered an earnings surprise for the 12th consecutive quarter. Results were aided by strong shipments across both segments and robust depletion growth at the beer business, as well as strong margins. Beer business depletions were aided by strength in the Modelo and Corona Brand Families, while the Power Brands in the wine & spirits grew double-digits. However, operating margin for the wine and spirits segment declined on unfavorable fixed cost absorption, resulting from wildfires and higher marketing costs. It expects costs related to wildfires to hurt the wine & spirits business in the near-term. Canopy-related costs are also headwinds.

Data Overview

52-Week High-Low	\$242.62 - \$104.28
20-Day Average Volume (Shares)	1,259,661
Market Cap	\$43.3 B
Year-To-Date Price Change	1.9%
Beta	1.20
Dividend / Dividend Yield	\$3.00 / 1.3%
Industry	Beverages - Alcohol
Zacks Industry Rank	Bottom 26% (188 out of 253)

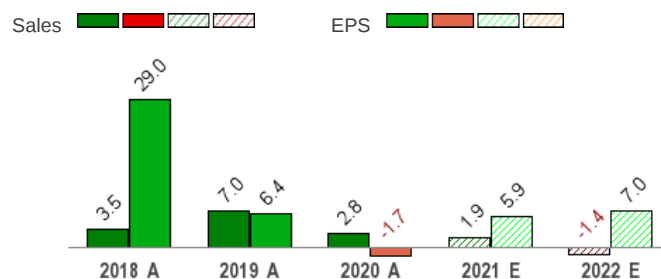
Last EPS Surprise	28.2%
Last Sales Surprise	7.4%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	04/02/2021
Earnings ESP	0.0%
P/E TTM	21.9
P/E F1	23.1
PEG F1	2.7
P/S TTM	4.7

Price, Consensus & Surprise



Source: Zacks Investment Research

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,029 E	2,326 E	2,129 E	1,837 E	8,387 E
2021	1,963 A	2,260 A	2,438 A	1,845 E	8,505 E
2020	2,097 A	2,344 A	1,999 A	1,903 A	8,344 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.50 E	\$3.02 E	\$2.57 E	\$1.95 E	\$10.34 E
2021	\$2.30 A	\$2.76 A	\$3.09 A	\$1.44 E	\$9.66 E
2020	\$2.21 A	\$2.72 A	\$2.14 A	\$2.06 A	\$9.12 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 02/19/2021. The report's text and the analyst-provided price target are as of 02/22/2021.

Overview

Founded in 1945 and headquartered in Victor, NY, Constellation Brands Inc. produces and markets beer, wine and spirits. It is the third-largest beer company and a leading, high-end wine company in the United States. It has a strong portfolio of high-quality brands, including Corona, Modelo Especial, Robert Mondavi, Kim Crawford, Meiomi and SVEDKA Vodka. The company conducts its operations in the United States, Mexico, Italy and New Zealand.

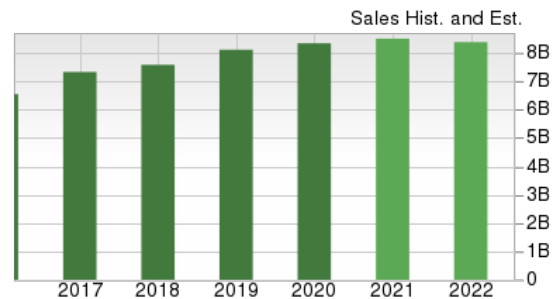
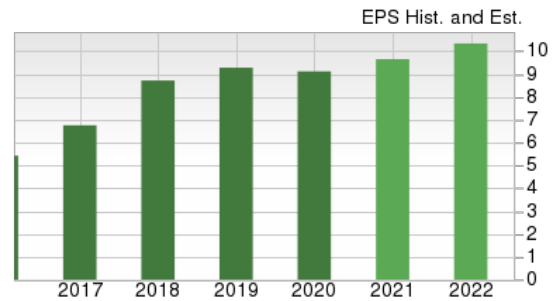
Furthermore, the company supplies its products to various customers, including wholesale distributors, retailers and through on-premise outlets.

As part of its total beverage alcohol strategy, the company extended presence in an adjacent category through its investment in Canopy Growth Company, a diversified cannabis company.

The company reports in four operating segments: (1) Beer, (2) Wine and Spirits, and (3) Corporate Operations and Other, and (4) Canopy. While the company's beer segment contributed about 67.3% to total sales in fiscal 2020, its Wine and Spirits segment contributed roughly 32.7%.

Beer: Constellation Brands sells beer primarily under the Corona Extra, Corona Light, Corona Premier, Corona Familiar Modelo Especial, Modelo Negra, Modelo Chelada, Pacifico, and Victoria brands, as well as Funky Buddha and Four Corners brands. It also sells a number of brands in the high-end categories, driven by its iconic imported beer brands portfolio, which includes Corona Extra, Corona Light, Corona Premier, Modelo Especial, Modelo Negra, and Pacifico.

Wine and Spirits: Constellation Brands' wine offerings include the 7 Moons, Black Box, Clos du Bois, Franciscan Estate, Kim Crawford, Mark West, Meiomi, Mount Veeder, Ravage, Robert Mondavi, Ruffino, Schrader, Simi, The Dreaming Tree, Charles Smith, Prisoner. Spirits are sold under the Casa Noble, High West, SVEDKA Vodka, Casa Noble tequila, and High West craft whiskey brands. The company's high-quality premium wine and spirits brands include the Robert Mondavi Brand Family, Kim Crawford, Meiomi, The Prisoner Brand Family, SVEDKA Vodka, Casa Noble Tequila, and High West Whiskey.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Robust Earnings Trend, Upbeat Sales:** Shares of Constellation Brands surged 10.7% in the past three months, outpacing the industry's 3% growth. The stock's momentum is attributable to strong earnings and sales results for third-quarter fiscal 2021. Notably, the company's top and bottom lines beat the Zacks Consensus Estimate and improved year over year in the fiscal third quarter. With this, the company has reported earnings beat for the 12th consecutive quarter. Despite the impacts of the coronavirus outbreak, results were primarily aided by strong shipments across both segments as well as robust depletion growth at the company's beer business. Moreover, it benefited from strong margins in the fiscal third quarter, which helped deliver earnings per share growth on a year over year basis. Also, it outlined its view for fiscal 2021.

Constellation Brands' wine & spirits premiumization strategy is playing out well, as evident from the accelerated growth for the Power Brands in third-quarter fiscal 2021.

Constellation Brands estimates reported earnings per share of \$10.30-\$10.55, whereas it reported a loss of 7 cents in fiscal 2020. On a comparable basis, excluding the Canopy business, earnings per share are expected to be \$9.80-\$10.05.

- ▲ **Margins Remain Favorable:** Constellation Brands witnessed strong gross and operating margins in third-quarter fiscal 2021 driven by lower marketing spending and other expenses, as well as favorable pricing. Adjusted gross margin expanded 20 basis points (bps) while comparable operating margin rose 210 bps. Further, the operating margin at the beer segment expanded 330 bps, owing to gains from lower marketing spend and SG&A expenses, as a percentage of sales, as well as Ballast Point divestiture, partly offset by higher cost of goods sold (COGS).
- ▲ **Strength in Beer Business:** Constellation Brands has been significantly gaining from strength in the beer business over the years. Sales at the beer business improved 28% driven by a 27.1% increase in shipment volume and 12.3% depletion volume growth. Organic shipment volume rose 28%. Organic sales for the beer segment were up 30%. Depletion volume benefited from improved inventory levels and robust off-premise channel sales, which more than offset the 35% decline in the on-premise channel due to the coronavirus outbreak. Solid portfolio depletions and market-share gains mainly stemmed from continued strength in the Modelo and Corona Brand Families. Notably, depletions for the Modelo Especial increased nearly 20%, while the Corona Brand Family witnessed 12% growth.

Including the effects of the Ballast Point divestiture, the company estimates net sales growth at the higher-end of 7-9% for the beer segment for fiscal 2021. Excluding the divestiture impacts, net sales are likely to be at the lower end of the aforementioned range. Operating income for the beer business is expected to increase 8-10%.

- ▲ **Premiumization Strategy Aid Wine & Spirits Business:** Constellation Brands remains keen on reviving the performance of the wine & spirits business. The company's wine & spirits premiumization strategy is playing out well, as evident from the accelerated growth for the Power Brands in third-quarter fiscal 2021. Notably, the wine and spirits business delivered double-digit growth at high-end Power Brands in IRI channels, including Kim Crawford, Meiomi and The Prisoner Brand Family, which outpaced the U.S. high-end wine and spirits category. This along with higher shipments aided the segments sales in the reported quarter. Sales at the wine and spirits segment increased 10%, while organic net sales grew 13%. Moreover, shipment volume rose 3.1%, while organic shipment volume was up 6.5%. Additionally, the company is making investments to fuel growth of its power brands through innovation, capitalizing on priority, consumer trends, with successful product introductions, like the Prisoner Cabernet Sauvignon and Chardonnay varietals, SVEDKA and High West ready-to-drink cocktails, Ruffino wine spritzer and Meiomi Cabernet Sauvignon.

As part of its efforts to enhance premium portfolio, the company recently completed the divestiture of a portion of its wine and spirits portfolio to E. & J. Gallo Winery for an aggregate of \$810 million. The transaction included Constellation Brands' brands priced at \$11 retail and below, including certain related facilities located in California, New York, and Washington State. Simultaneously, the company sealed its separate but related deal with Gallo to sell the New Zealand-based Nobilo Wine brand, and related assets and liabilities for \$130 million. It also completed the divestiture of certain brands, related inventory, interests in contracts and liabilities of its grape juice concentrate business to Vie-Del Company. On Jan 12, it concluded the sale of the Paul Masson Grande Amber Brandy brand, related inventory and interests in certain contracts to Sazerac for \$265 million. Notably, these divestitures position Constellation Brands to benefit from the persistence of premiumization trends in the market through the crafting of a winning portfolio of distinguishing high-end brands. For fiscal 2021, the company predicts depletions for the retained Power Brand portfolio, after the divestitures of wine and spirits brands, to increase 2-4%.

- ▲ **Hard Seltzer A Big Opportunity:** Constellation Brands is one of the beer companies looking for opportunities in the hard seltzer category. The Corona Hard Seltzer, launched earlier this year, has achieved the number four position in the category and is currently the second fastest moving hard seltzer. Moreover, the Corona Hard Seltzer continues to maintain strong incrementality levels at nearly 90%. Launched in four flavors, namely tropical lime, mango, cherry and blackberry lime, the consumer response for the product has been exceeding expectations. In early fiscal 2022, the company plans to launch Corona Hard Seltzer Variety Pack #2, providing the same Corona refreshment while expanding to new flavors. The new flavors will include pineapple, strawberry, raspberry and passion fruit. The Variety Pack #2 launch will be followed by the introduction of the new hard seltzer initiative. These initiatives and product launches will strengthen Constellation Brands' competitive position in the hard seltzer category, broaden its distribution reach and enhance market share in the high-end of the U.S. beer market.
- ▲ **Strong Cash Flows & Liquidity:** Constellation Brands has been consistently generating strong cash flows. In the first nine months of fiscal 2021, the company increased free cash flow by 23% year over year to \$1,895.9 million, reflecting strong operating cash flows and lower capital expenditure. Moreover, it generated operating cash flow of \$2,363.6 million, up 14%. The strong cash flows provide the company ample financial flexibility to continue focusing on debt pay-down and liquidity. During the first nine months of fiscal 2021, it reduced net debt by nearly \$1.2 billion. Moreover, on a comparable basis, interest expense for the fiscal third quarter fell 7% to \$96 million, primarily due to lower average borrowings as it continues to decrease leverage ratio.

In fiscal 2021, the company expects to generate operating cash flow of \$2.5-\$2.7 billion, while free cash flow is estimated to be \$1.7-\$1.8 billion. Constellation Brands plans to incur capital expenditure of \$800-\$900 million in fiscal 2021. Further, it expects interest expense of \$390 million for fiscal 2021.

▲ **Shareholder Returns:** Constellation Brands remains committed to providing enhanced shareholder returns over the long term, through cash returns to shareholders in the form of share repurchases and dividends. It targets returning \$4.5 billion in cash to shareholders through share repurchases and dividends by fiscal 2022. On Jan 6, 2021, the company announced a quarterly dividend of 75 cents per share for Class A and 68 cents for Class B stock. The dividend is payable Feb 23 to its shareholders of record as of Feb 9. Notably, Constellation Brands has a dividend payout ratio of 29.4%, annualized dividend yield of 1.3% and free cash flow yield of 4.9%. Additionally, the company's board authorized a new share repurchase program worth \$2 billion. It has \$1.9 billion remaining under the current buyback program.

Reasons To Sell:

- ▼ **Wildfire Impacts On Wine & Spirits Business:** In August, Constellation Brands witnessed the break out of significant wildfires in California, Oregon and Washington state. The company has been monitoring and assessing the impact of the smoke damage from these wildfires throughout the August to October harvest season. It earlier estimated margins to be impacted by higher costs realized through the rest of fiscal 2021 due to decreased production levels, driving unfavorable fixed cost absorption. Consequently, the wine and spirits segment's operating margin contracted 220 bps in third-quarter fiscal 2021, as unfavorable fixed cost absorption, resulting from wildfires and higher marketing costs, were partly offset by gains from favorable mix and price. For fiscal 2021, net sales and operating income for the wine and spirits business are estimated to decline 9-11% and 16-18%, respectively.
- ▼ **Canopy Growth Deal-Related Costs May Hurt Bottom Line:** Constellation Brands' outlook for fiscal 2021 includes the impacts of adjustments related to loss from the Canopy Growth deal and other activities. Constellation Brands' share of Canopy Growth's equity earnings and related activities for third-quarter fiscal 2021 totaled a loss of \$12.4 million on a reported basis and a loss of \$43 million on a comparable basis. In December 2020, Canopy announced its plans to close five Canadian production facilities as part of its efforts to streamline its operations and further improve margins. Consequently, Canopy expects to record an estimated pre-tax loss of nearly C\$350-C\$400 million in its third and fourth-quarter fiscal 2021 results. As a result, Constellation expects to record a proportional share of the estimated pre-tax loss of nearly C\$130-C\$155 million in its fourth-quarter fiscal 2021 and first-quarter of fiscal 2022 results.
- ▼ **Competitive Threats:** Constellation Brands faces intense competition from other well-established players in the industry, including Beam Inc., Brown-Forman Corporation – B, Diageo plc, and Pernod Ricard SA. Moreover, Constellation Brands encounters competition from local and regional players in the respective countries. This may affect the company's future operating performance.
- ▼ **Seasonal Risks:** Constellation Brands' business is exposed to seasonal risks due to factors affecting demand for each major category of the beverage alcohol industry. In response to wholesaler and retailer demand, the imported beer category usually generates the highest sales during the first and second quarters of the fiscal year that are characterized by the spring and summer seasons in the U.S. Meanwhile, at the wine and spirits category, sales are robust during the third quarter of the fiscal year, primarily due to seasonal holiday buying.
- ▼ **Macroeconomic Headwinds:** Sluggishness in the global economy, along with macroeconomic headwinds such as a rise in fuel and energy costs, unemployment levels and high household debts may negatively affect the discretionary spending of consumers, and consequently hamper the company's growth and profitability.

Wine and spirits' operating margin declined 220 bps in Q3 owing to unfavorable fixed cost absorption, resulting from wildfires and higher marketing costs, offset by favorable mix and price.

Last Earnings Report

Constellation Brands Beats Q3 Earnings & Sales Estimates

Constellation Brands has reported third-quarter fiscal 2021 results, wherein the top and the bottom lines surpassed the Zacks Consensus Estimate. With this, the company has reported an earnings beat for the 12th consecutive quarter. Despite the impacts of the coronavirus outbreak, results were primarily aided by strong shipments across both segments as well as robust depletion growth at the company's beer business. Moreover, it outlined its view for fiscal 2021.

Constellation Brands posted fiscal third-quarter comparable earnings of \$3.09 per share, which increased 44% year over year and beat the Zacks Consensus Estimate of \$2.41. Earnings on a reported basis, including Canopy Growth equity loss of 8 cents, were \$6.55. Excluding the impacts of Canopy Growth, the company posted comparable earnings of \$3.16 per share, up 32% from the year-ago period.

Net sales advanced 22% to \$2,438.1 million and surpassed the Zacks Consensus Estimate of \$2,271 million.

At the company's beer business, sales improved 28% to \$1,677.9 million, driven by a 27.1% increase in shipment volume and 12.3% depletion volume growth. Organic shipment volume rose 28%. Organic sales for the beer segment were up 30%. Depletion volume benefited from improved inventory levels and robust off-premise channel sales, which more than offset the 35% decline in the on-premise channel due to the coronavirus outbreak.

Solid portfolio depletions and market-share gains mainly stemmed from continued strength in the Modelo and Corona Brand Families. Notably, depletions for the Modelo Especial increased nearly 20%, while the Corona Brand Family witnessed 12% growth.

Sales at the wine and spirits segment increased 10% to \$760.2 million in the fiscal third quarter. Further, organic net sales for the segment grew 13%. Moreover, shipment volume rose 3.1%, while depletions fell 0.8%. Organic shipment volume was up 6.5%. The segment benefited from double-digit growth at high-end Power Brands, including Kim Crawford, Meiomi and The Prisoner Brand Family, which outpaced the total higher-end wine category.

Margins

Adjusted gross profit increased 22.4% year over year to \$1,280.5 million. Meanwhile, adjusted gross profit margin expanded 20 basis points (bps) to 52.5%.

Constellation Brands' comparable operating income rose 29.7% to \$835.4 million, while comparable operating margin improved nearly 210 bps to 34.3%.

Further, the operating margin at the beer segment expanded 330 bps to 42.6%, owing to gains from lower marketing spend and SG&A expenses, as a percentage of sales, as well as Ballast Point divestiture. This was partly offset by higher cost of goods sold. The wine and spirits segment's operating margin contracted 220 bps to 24% as unfavorable fixed cost absorption, resulting from wildfires and higher marketing costs, were partly offset by gains from favorable mix and price.

Financial Position

Constellation Brands ended the fiscal third quarter with cash and cash equivalent of \$152.9 million. As of Nov 30, 2020, it had \$10,416.1 million in long-term debt (excluding current maturities) along with total shareholders' equity (excluding non-controlling interest) of \$13,312.1 million.

In the first nine months of fiscal 2021, Constellation Brands generated operating cash flow of \$2,363.6 million and adjusted free cash flow of \$1,895.9 million.

On Jan 6, 2021, the company announced a quarterly dividend of 75 cents per share for Class A and 68 cents for Class B stock. The dividend is payable Feb 23 to its shareholders of record as of Feb 9.

The company's board authorized a new share repurchase program worth \$2 billion. It has \$1.9 billion remaining under the current buyback program.

Other Developments

On Jan 5, 2021, Constellation Brands completed the previously agreed-upon deal to divest a portion of its wine and spirits portfolio to E. & J. Gallo Winery. The transaction included Constellation Brands' brands priced at \$11 retail and below, including certain related facilities located in California, New York, and Washington State.

As part of the deal, the company received an aggregate of \$810 million from Gallo, including about \$560 million of cash payment on closing and the prospect to receive up to \$250 million in earnout payments, depending on the fulfillment of brand performance targets within a two-year period after closing. Moreover, the transaction price includes adjustments of nearly \$220 million related to changes in inventory for which Constellation Brands already received the benefit.

Simultaneously, the company sealed its separate but related deal with Gallo to sell the New Zealand-based Nobilo Wine brand, and related assets and liabilities for \$130 million. Additionally, it completed the divestiture of certain brands, related inventory, interests in contracts and liabilities of its grape juice concentrate business to Vie-Del Company.

Quarter Ending	11/2020
Report Date	Jan 07, 2021
Sales Surprise	7.37%
EPS Surprise	28.22%
Quarterly EPS	3.09
Annual EPS (TTM)	10.21

Meanwhile, Constellation Brands received approval for the sale of the Paul Masson Grande Amber Brandy brand, related inventory and interests in certain contracts to Sazerac for \$255 million. The transaction is likely to be completed in January 2021.

Outlook

Constellation Brands outlined its guidance for fiscal 2021. Including the effects of the Ballast Point divestiture, the company estimates net sales growth at the higher-end of 7-9% for the beer segment. Excluding the divestiture impacts, net sales are likely to be at the lower end of the aforementioned range. Operating income for the beer business is expected to increase 8-10%.

Net sales and operating income for the wine and spirits business are estimated to decline 9-11% and 16-18%, respectively. Depletions for the retained Power Brand portfolio, after the divestitures of wine and spirits brands, are expected to increase 2-4%.

Further, the company expects interest expenses of \$390 million for fiscal 2021. Further, it anticipates tax rate of 21% and weighted average diluted shares outstanding of 195 million. The company expects no share repurchases for fiscal 2021.

Driven by the aforementioned factors, Constellation Brands estimates reported earnings per share of \$10.30-\$10.55, whereas it reported a loss of 7 cents in fiscal 2020. On a comparable basis, excluding the Canopy business, earnings per share are expected to be \$9.80-\$10.05.

Moreover, the company expects to generate operating cash flow of \$2.5-\$2.7 billion for fiscal 2021, while free cash flow is estimated to be \$1.7-\$1.8 billion. Constellation Brands plans to incur capital expenditure of \$800-\$900 million in fiscal 2021.

Recent News

Constellation Brands Sells Paul Masson – Jan 12, 2021

Constellation Brands has concluded the final phase of its transaction related to the divestiture of its low-end wine and spirits brands through the sale of the Paul Masson Grande Amber Brandy brand, related inventory and interests in certain contracts to Sazerac for \$265 million. The transaction forms part of the company's efforts to accelerate revenue and operating margin growth for the wine and spirits business by building a portfolio of distinguishing, higher-end brands.

Constellation's Brand Sale to Aid Wine & Spirits Business – Jan 5, 2021

Constellation Brands successfully closed its previously agreed-upon deal to divest a portion of Constellation's wine and spirits portfolio to E. & J. Gallo Winery. The transaction included Constellation's brands priced at \$11 retail and below, including certain related facilities located in California, New York, and Washington State.

As part of the deal, the company received an aggregate of \$810 million from Gallo, including about \$560 million of cash payment on closing and the prospect to receive up to \$250 million in earnout payments, depending on the fulfillment of brand performance targets within a two-year period after closing. Moreover, the transaction price includes adjustments of nearly \$220 million related to changes in inventory for which Constellation already received the benefit.

Simultaneously, the company sealed its separate but related deal with Gallo to sell the New Zealand-based Nobile Wine brand and related assets and liabilities for \$130 million. Additionally, it completed the divestiture of certain brands, related inventory, interests in contracts and liabilities of its grape juice concentrate business to Vie-Del Company.

Meanwhile, the company received approval for the sale of the Paul Masson Grande Amber Brandy brand, related inventory and interests in certain contracts to Sazerac for \$255 million. The transaction is likely to be completed in January 2021.

With the sale of the aforementioned assets and brands, the company expects accelerated revenue and operating margin performance at its wine and spirits business. Going forward, it expects to gain from the persistence of premiumization trends in the market. Notably, the divestitures position it well to gain from the premiumization trends through the crafting of a winning portfolio of distinguishing high-end brands.

Valuation

Constellation Brands shares are up 1.9% in the year to date period and nearly 10.7% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 1.9% and 2% in the year to date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 0.7% and 1.4%, respectively.

The S&P 500 index is up 4.4% in the year-to-date period and 23.2% in the past year.

The stock is currently trading at 21.61X forward 12-month earnings, which compares to 16.48X for the Zacks sub-industry, 18.73X for the Zacks sector and 22.67X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.96X and as low as 11.49X, with a 5-year median of 21.8X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$234 price target reflects 22.65X forward 12-month earnings.

The table below shows summary valuation data for STZ

Valuation Multiples - STZ					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.61	16.48	18.73	22.67
	5-Year High	26.96	27.51	22.42	23.8
	5-Year Low	11.49	16.48	16.5	15.3
	5-Year Median	21.8	23.63	19.48	17.84
P/S F12M	Current	5.16	15.68	9.95	4.55
	5-Year High	5.58	20.68	11.97	4.55
	5-Year Low	2.56	13.06	8.59	3.21
	5-Year Median	4.52	17.1	10.46	3.68
EV/EBITDA TTM	Current	17.75	44.81	39.53	16.54
	5-Year High	44.53	53.29	45.75	6.99
	5-Year Low	7.6	27.04	27.38	9.56
	5-Year Median	17.81	43.76	39.13	13.27

As of 02/19/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 26% (188 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
BrownForman Corporation (BF.B)	Neutral	3
AnheuserBusch InBev SANV (BUD)	Neutral	3
Carlsberg AS (CABGY)	Neutral	3
Diageo plc (DEO)	Neutral	2
Heineken NV (HEINY)	Neutral	4
Pernod Ricard SA (PDRDY)	Neutral	2
The Boston Beer Company, Inc. (SAM)	Neutral	4
Molson Coors Beverage Company (TAP)	Neutral	4

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

Industry Comparison Industry: Beverages - Alcohol				Industry Peers		
	STZ	X Industry	S&P 500	BUD	PDRDY	TAP
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	4
VGM Score	B	-	-	D	F	A
Market Cap	43.28 B	15.70 B	27.94 B	129.98 B	52.47 B	18.02 B
# of Analysts	6	1.5	13	4	2	7
Dividend Yield	1.34%	0.00%	1.41%	0.65%	1.29%	0.00%
Value Score	C	-	-	C	F	A
Cash/Price	0.00	0.04	0.06	0.00	0.04	0.04
EV/EBITDA	-340.62	10.46	14.71	5.77	NA	43.61
PEG F1	2.69	3.20	2.38	4.96	NA	2.37
P/B	3.16	3.26	3.87	1.90	3.34	1.43
P/CF	20.14	19.79	15.57	10.20	24.79	10.11
P/E F1	23.10	26.08	20.85	19.61	29.73	11.41
P/S TTM	4.65	2.74	3.10	2.74	NA	1.54
Earnings Yield	4.33%	3.75%	4.73%	5.10%	3.36%	8.76%
Debt/Equity	0.76	0.45	0.66	NA	0.65	0.57
Cash Flow (\$/share)	11.08	1.59	6.64	6.32	1.59	4.39
Growth Score	C	-	-	F	C	C
Historical EPS Growth (3-5 Years)	12.03%	6.32%	9.32%	-10.88%	NA	6.32%
Projected EPS Growth (F1/F0)	5.88%	26.82%	13.98%	48.25%	10.83%	-0.77%
Current Cash Flow Growth	-6.74%	-2.37%	2.02%	11.61%	2.72%	-4.08%
Historical Cash Flow Growth (3-5 Years)	14.06%	4.16%	7.55%	0.84%	4.22%	11.67%
Current Ratio	1.69	1.69	1.38	1.17	2.08	0.62
Debt/Capital	43.28%	33.67%	41.22%	60.81%	39.36%	36.35%
Net Margin	21.63%	9.01%	10.60%	-1.57%	NA	-8.09%
Return on Equity	16.09%	10.09%	14.86%	6.84%	NA	6.48%
Sales/Assets	0.35	0.49	0.51	0.41	NA	0.41
Projected Sales Growth (F1/F0)	1.94%	6.76%	6.63%	10.59%	10.88%	6.69%
Momentum Score	A	-	-	B	F	A
Daily Price Change	-1.31%	0.00%	0.55%	0.88%	-1.05%	-0.31%
1-Week Price Change	5.85%	2.17%	1.44%	-3.15%	-0.91%	-10.15%
4-Week Price Change	-2.40%	4.83%	1.51%	-4.94%	5.41%	-12.34%
12-Week Price Change	9.04%	9.04%	6.62%	-5.19%	6.40%	-4.52%
52-Week Price Change	7.14%	7.14%	8.08%	-12.01%	10.34%	-19.87%
20-Day Average Volume (Shares)	1,259,661	33,633	2,033,954	1,597,419	126,547	2,628,372
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.31%	-1.12%	-6.49%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.71%	1.47%	-0.37%	-9.29%
EPS F1 Estimate 12-Week Change	2.26%	0.00%	2.08%	1.89%	7.69%	-6.49%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.23%	NA	NA	3.33%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.