Tiffany & Co. (TIF)

$131.45 (As of 12/31/20)

Price Target (6-12 Months): **$138.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 09/09/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:F
	Value: D | Growth: C | Momentum: F	

Summary

Tiffany, which saw its shares rising in the past three months, agreed upon the new takeover price. The company in its third-quarter fiscal 2020 release confirmed that the merger with LVMH is likely to conclude in early 2021. Markedly, the company reported better-than-expected results. While quarterly earnings grew year over year driven by prudent cost management, net sales declined from the year-ago period. Nonetheless, the rate of sales decline decelerated sharply on a sequential basis. Strong sales in Mainland China and sturdy e-commerce business aided the upbeat performance. Management now envisions a low-double-digit percentage increase in operating earnings and a high-single-digit percentage growth in earnings per share for the final quarter. However, Tiffany anticipates a mid-single-digit percentage decline in total net sales for the quarter.

Price, Consensus & Surprise

Source: Zacks Investment Research

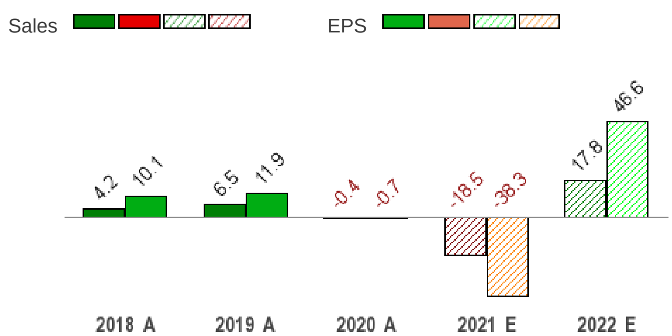
Data Overview

52-Week High-Low	**$134.42 - $103.89**
20-Day Average Volume (Shares)	**1,460,314**
Market Cap	**$16.0 B**
Year-To-Date Price Change	**-1.7%**
Beta	**0.74**
Dividend / Dividend Yield	**$2.32 / 1.8%**
Industry	**Retail - Jewelry**
Zacks Industry Rank	**Top 36% (91 out of 255)**

Last EPS Surprise	**48.0%**
Last Sales Surprise	**0.2%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**

P/E TTM	**48.7**
P/E F1	**46.5**
PEG F1	**4.2**
P/S TTM	**4.4**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	1,031 E	1,072 E	1,058 E	1,341 E	4,246 E
2021	556 A	747 A	1,008 A	1,294 E	3,605 E
2020	1,003 A	1,049 A	1,015 A	1,358 A	4,424 A

EPS Estimates

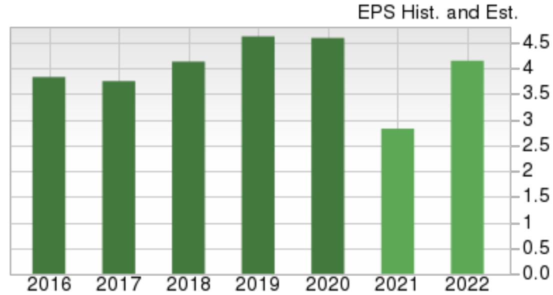
	Q1	Q2	Q3	Q4	Annual*
2022					$4.15 E
2021	-$0.53 A	$0.32 A	$1.11 A	$1.93 E	$2.83 E
2020	$1.03 A	$1.12 A	$0.65 A	$1.80 A	$4.59 A

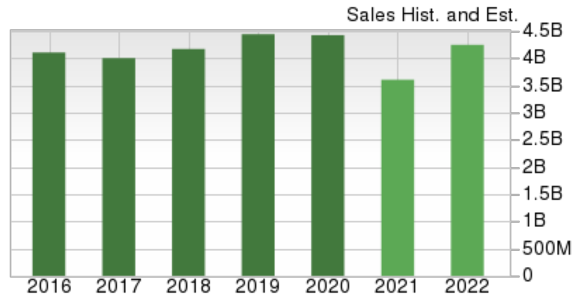
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/31/2020. The reports text is as of 01/04/2021.

Overview

Tiffany & Co., which accepted the buyout offer of LVMH Moet Hennessy Louis Vuitton SE or LVMH, is engaged in the designing, manufacturing and retailing activities of fine jewelry, which includes gemstone jewelry and gemstone band rings, diamond rings and wedding bands, gold or platinum jewelry, as well as sterling silver jewelry. Its merchandising offerings include timepieces and clocks; sterling silverware; crystal, glass, china, and other tableware; custom engraved stationery; writing instruments; and fashion accessories.





The company sells its products through catalog and wholesale operations, retail stores, direct marketing, Internet and business-to-business direct selling transactions. As of Oct 31, 2020, the company operated 320 stores — 122 in the Americas, 87 in Asia-Pacific, 59 in Japan, 47 in Europe, and five in the UAE.

Americas: Includes sales in stores in the United States, Mexico, Canada, Brazil and Chile. Tiffany also distributes a selection of its products through its websites and catalogs of selected merchandise to its list of customers and to mailing lists rented from third parties.

Asia-Pacific: Consists of sales in China, Korea, Hong Kong, Taiwan, Australia, Singapore, Macau, Malaysia and New Zealand and Thailand.

Japan: Consists of sales in Japan.

Europe: Includes sales in stores in the the U.K., Italy, Germany, France, Spain, Switzerland, the Netherlands, Russia, Austria, Belgium, the Czech Republic and Ireland.

Other: The Other segment primarily consists of retail sales transacted in five company-operated stores in the United Arab Emirates and wholesale distribution in the Emerging Markets region; wholesale sales of diamonds; and licensing agreements.

Source: Zacks Investment Research

Reasons To Buy:

Tiffany, which accepted the buyout offer from LVMH, remains focused on evolving its brand, enhancing omni-channel experience and firming position in core markets.

▲ **Tiffany-LVMH Deal:** Tiffany and LVMH concluded the merger agreement by modifying few terms of the initial accord, thereby putting an end to the bitter dispute caused by the COVID-19 pandemic. The new terms reflect a purchase price of $131.50 — down from $135 in the original deal — in cash and reduced closing conditionality. The new terms represent a discount of approximately $425 million for LVMH. However, other major terms of the agreement remain same. The deal is anticipated to conclude in early 2021 and is subjected to Tiffany's shareholder approval and customary closing conditions. Both the companies' board has approved the terms of the deal and all the necessary regulatory approvals have been obtained. Notably, shares of Tiffany have gained roughly 12.3% in the past three months compared with the industry's rally of 14.6%.

▲ **Sturdy Q3 Performance, Upbeat View:** Tiffany reported better-than-expected third-quarter fiscal 2020 results, wherein both the top and the bottom lines came ahead of the Zacks Consensus Estimate. While quarterly earnings improved year over year driven by prudent cost management, net sales declined marginally from the year-ago period. Markedly, the rate of sales decline decelerated sharply on a sequential basis. Again, comparable sales rose during the quarter under review. We note that strong sales in Mainland China and sturdy e-commerce business aided the upbeat performance. The company also registered increase in another key metric — average unit retail price — in the quarter. In addition, Tiffany T1 line, its newest gold and gold with diamonds jewelry collection, continued to glitter. Management now anticipates a low-double-digit percentage increase in operating earnings and a high-single-digit percentage increase in earnings per share for the final quarter. The company had earlier guided mid-single-digit increase in operating earnings and mid- to high-single-digit growth in earnings per share.

▲ **Solid Sales in Mainland China, E-Commerce Gains:** While sales were down in the Americas, Japan and Europe during third-quarter fiscal 2020, the metric improved in Mainland China, contributing to sales growth in the Asia-Pacific region. Markedly, net sales in the region surged 30% to $382 million, while comparable sales climbed 40% buoyed by robust retail sales increase in Mainland China and Korea. Impressively, sales in Mainland China increased by more than 70% with comparable sales nearly doubling during the period. This followed an increase of about 80% in retail sales in the second quarter. Notably, Tiffany's e-commerce business displayed strength. E-commerce sales soared 92% worldwide during the third quarter, following an increase of 123% and 23% worldwide in the preceding two quarters.

▲ **Leveraging Capital Investments:** Tiffany is well positioned to augment its top- and bottom-line performance in the long run by leveraging capital investments made over the past several years in distribution, manufacturing and diamond sourcing processes. The company remains focused on evolving its brand, enhancing omnichannel experience and solidifying position in core markets. The company remains committed to elevating in-store experience and replenishing product portfolio. Focus on renewing product portfolio is evident from the launch of PAPER FLOWERS, which comprises solid collection in diamonds and platinum and the introduction of TIFFANY TRUE, an innovative engagement ring design. The company also remains enthusiastic about its Tiffany T1 collection. Notably, the company intends to expand its distribution network by adding stores in both new and existing markets. With about half of the total sales generated internationally, we believe that the company is well diversified from a regional perspective as well.

▲ **Strategic Endeavors:** Tiffany holds a significant position in the world jewelry market due to its distinctive brand appeal. The company has been steadily introducing new jewelry designs, new watch collection and fragrance, and additional jewelry SKUs. It also introduced "build-your-own program" on its website under which customers are allowed to personalize their own charm bracelets. Further, Tiffany allows customers to personalize their ring. The company also renewed its licensing agreement with Luxottica Group — slated to expire on December 31, 2027 — for the development, production and global distribution of sunglasses and prescription frames under its brand. The company in a joint venture with Reliance Brands Limited entered the Indian market with its first store in New Delhi. Tiffany's efforts to enhance store operations are yielding results.

▲ **Store Update:** Tiffany is focused on opening smaller stores that offer selected collections of lower priced higher-margin product, which in turn boosts store productivity. The company concentrates on improving sales per square foot through an increase in customer traffic and converting them into potential buyers by targeted advertising, ongoing sales training and customer-oriented initiatives. During the first nine-month period of fiscal 2020, Tiffany opened two company-operated stores and closed eight. As of Oct 31, 2020, the company operated 320 stores — 122 in the Americas, 87 in Asia-Pacific, 59 in Japan, 47 in Europe, and five in the UAE.

Reasons To Sell:

Demand for luxury jewelry items may get hurt with consumers taking a cautious stance on discretionary spending and decline in international tourism owing to the coronavirus pandemic.

- **Top Line to Decline in Q4:** Management envisions a mid-single-digit percentage decline in total net sales for the fourth quarter. In the third quarter, worldwide net sales decreased 1% year over year to $1,008.2 million. Geography-wise, net sales in the Americas dropped 16% to $354 million, while comparable sales declined 15%. Sales decreased across most of the region due to fall in foreign tourism on account of the COVID-19 pandemic. In Japan, net sales declined 8% to $156 million, while comparable sales slid 4%. Management stated that fall in foreign tourism in the region and strong growth in the last year because of increased consumer demand prior to the consumption tax increase, which occurred on Oct 1, 2019, resulted in decline during the quarter under review. In Europe, net sales decreased 6% to $104 million, while comparable sales fell 6%. Sales decreased across most of the region owing to decline in foreign tourism on account of the ongoing crisis. Sales for jewelry categories were as follows — both Engagement Jewelry and Designer Jewelry decreased 6%.

- **Stock Looks Stretched:** Considering price-to-earnings (P/E) ratio, Tiffany looks pretty overvalued when compared with the industry as well as the S&P 500. The stock has a trailing 12-month P/E ratio of 48.69, which is above the median level of 41.46 but below the high level of 58.41 scaled in the past one year. On the contrary, the trailing 12-month P/E ratio for the industry and the S&P 500 is 47.99 and 27.56, respectively.

- **Prone to Currency Fluctuations:** Tiffany generates a significant amount of net sales outside the U.S. Due to high exposure to international markets the company remains prone to currency fluctuations. The weakening of foreign currencies against the U.S. dollar may require the company to either raise prices or contract profit margins in locations outside of the U.S. An increase in price may have an adverse impact on the demand for the products. Net sales fall victim of the adverse foreign currency fluctuations that lowers the 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 are avoiding discretionary spending and focusing on necessities for the time being.

Last Earnings Report

Tiffany's Q3 Earnings Top Estimates, Online Sales Surge

Quarter Ending	10/2020
Report Date	Nov 24, 2020
Sales Surprise	0.21%
EPS Surprise	48.00%
Quarterly EPS	1.11
Annual EPS (TTM)	2.70

Tiffany & Co. came out with its third-quarter fiscal 2020 results, wherein both the top and the bottom lines came ahead of the Zacks Consensus Estimate. While quarterly earnings improved year over year driven by prudent cost management, net sales declined from the year-ago period. Nonetheless, the rate of sales decline decelerated sharply on a sequential basis. We note that strong sales in Mainland China and sturdy e-commerce business aided the upbeat performance.

Let's Introspect

This designer, manufacturer and retailer of jewelry posted adjusted earnings of $1.11 per share that surpassed the Zacks Consensus Estimate of 75 cents. The figure showcased an increase of 73% year over year owing to higher gross and operating margins, and a lower effective income tax rate.

Worldwide net sales decreased 1% year over year to $1,008.2 million but marginally topped the Zacks Consensus Estimate of $1,006 million. Markedly, the rate of decline has decelerated from 29% witnessed in the preceding quarter. Again, comparable sales rose 3% during the quarter under review. This followed a decline of 24% in the preceding quarter. On a constant-exchange-rate basis, net sales declined 2% but comparable sales grew 1% from the prior year.

Impressively, sales in Mainland China increased by more than 70% with comparable sales nearly doubling during the period. Tiffany's e-commerce business displayed strength. E-commerce sales soared 92% worldwide during the quarter under review. The company also registered increase in another key metric — average unit retail price — in the quarter. In addition, Tiffany T1 line, its newest gold and gold with diamonds jewelry collection, continued to glitter.

Gross margin expanded 210 basis points to 63.8% primarily due to a change in sales mix to higher margin products. Again, operating margin increased 470 basis points to 16.4%.

Meanwhile, CEO, Alessandro Bogliolo said, "We look forward to surprising and delighting our consumers during the holiday season and the successful completion of the merger transaction with LVMH in early 2021." Markedly, management envisions a mid-single-digit percentage decline in total net sales for the fourth quarter. Nonetheless, it anticipates a low-double-digit percentage increase in operating earnings and a high-single-digit percentage increase in earnings per share for the final quarter.

Segment Details

Geography-wise, net sales in the **Americas** dropped 16% to $354 million, while comparable sales declined 15%. Sales decreased across most of the region due to fall in foreign tourism on account of the COVID-19 pandemic.

In the **Asia-Pacific** region, net sales surged 30% to $382 million, while comparable sales climbed 40%. We note that robust retail sales increase in Mainland China and Korea was partly offset by mixed performance across other markets in the region.

In **Japan**, net sales declined 8% to $156 million, while comparable sales slid 4%. Management stated that fall in foreign tourism in the region and strong growth in the last year because of increased consumer demand prior to the consumption tax increase, which occurred on Oct 1, 2019, resulted in decline during the quarter under review.

In **Europe**, net sales decreased 6% to $104 million, while comparable sales fell 6%. Sales decreased across most of the region owing to decline in foreign tourism on account of the ongoing crisis.

Other net sales fell 30% to $12 million due to decreases in sales within the Emerging Markets region.

Sales for jewelry categories were as follows — Jewelry Collections grew 7%, while both Engagement Jewelry and Designer Jewelry decreased 6%.

Store Update

During the first nine-month period of fiscal 2020, Tiffany opened two company-operated stores and closed eight. As of Oct 31, 2020, the company operated 320 stores — 122 in the Americas, 87 in Asia-Pacific, 59 in Japan, 47 in Europe, and five in the UAE.

Other Financial Details

Tiffany ended the quarter with cash and cash equivalents and short-term investments of $1,145.7 million and total debt (short-term borrowings and long-term debt) of $1,431.1 million, reflecting 44% of stockholders' equity compared with 31% in the year-ago period. This increase was due to $500 million drawdown on the revolving credit facility during the first quarter, which remained outstanding at Oct 31, 2020.

Recent News

Tiffany Announces Virtual Stockholder Meeting – Nov 27, 2020

Tiffany will hold a special meeting of its stockholders in a virtual format on Dec 30, 2020. Stockholders will be asked to consider and vote on, among other things, a proposal to adopt the previously announced Amended and Restated Agreement and Plan of Merger with LVMH, dated Oct 28, 2020.

Tiffany & LVMH Modify Merger Terms – Oct 29, 2020

Tiffany and LVMH recently concluded the merger agreement by modifying some terms to the initial agreement. The new terms reflect a purchase price of $131.50 in cash and reduced closing conditionality. However, other major terms of the agreement remain same. The deal is anticipated to conclude in early 2021 and is subjected to Tiffany's shareholder approval and customary closing conditions.

Valuation

Tiffany shares are up 7% in the past six months but down nearly 1.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 18.7% and 12.7%, respectively, in the past six months. Over the past year, the Zacks sub-industry and the sector are up 5.2% and 33.2%, respectively.

The S&P 500 index is up 19.1% in the year-to-date period and 17.7% in the past year.

The stock is currently trading at 32.47X forward 12-month earnings, which compares to 23.91X for the Zacks sub-industry, 30.44X for the Zacks sector and 23.11X for the S&P 500 index.

Over the past five years, the stock has traded as high as 42.34X and as low as 14.29X, with a 5-year median of 22.2X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $138 price target reflects 34.09X forward 12-month earnings.

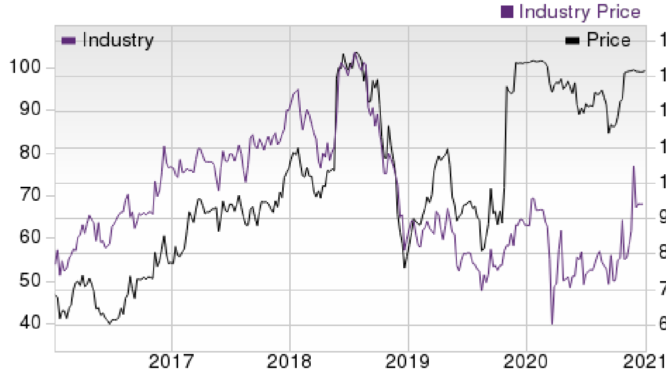
The table below shows summary valuation data for TIF

Valuation Multiples - TIF

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	32.47	23.91	30.44	23.11
	5-Year High	42.34	40.49	34.11	23.79
	5-Year Low	14.29	12.27	19.08	15.3
	5-Year Median	22.2	16.64	23.66	17.82
P/S F12M	Current	3.8	1.8	1.32	4.49
	5-Year High	3.95	2.11	1.33	4.49
	5-Year Low	1.78	1.01	0.83	3.21
	5-Year Median	2.78	1.61	1.01	3.67
EV/EBITDA TTM	Current	23.13	19.02	18.67	17.02
	5-Year High	25.77	21.3	20.75	17.02
	5-Year Low	7.82	8.61	11.15	9.56
	5-Year Median	11.8	14.17	13.07	13.19

As of 12/31/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 36% (91 out of 255)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Capri Holdings Limited **(CPRI)**	Outperform	1
Guess, Inc. **(GES)**	Outperform	1
L Brands, Inc. **(LB)**	Outperform	1
Tapestry, Inc. **(TPR)**	Outperform	1
Abercrombie & Fitch Company **(ANF)**	Neutral	3
Movado Group Inc. **(MOV)**	Neutral	3
Ralph Lauren Corporation **(RL)**	Neutral	3
Signet Jewelers Limited **(SIG)**	Neutral	3

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

Industry Comparison Industry: Retail - Jewelry

	TIF	X Industry	S&P 500	CPRI	MOV	SIG
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	1	3	3
VGM Score	F	-	-	F	C	A
Market Cap	15.96 B	888.46 M	25.84 B	6.33 B	385.48 M	1.43 B
# of Analysts	6	3	13	9	1	3
Dividend Yield	1.76%	0.00%	1.48%	0.00%	0.00%	1.36%
Value Score	D	-	-	F	B	A
Cash/Price	0.07	0.16	0.06	0.04	0.40	0.97
EV/EBITDA	15.88	3.47	14.72	127.84	3.47	2.93
PEG F1	4.22	5.82	2.84	6.19	NA	5.81
P/B	4.87	4.26	3.65	2.88	0.99	1.56
P/CF	19.47	19.47	14.00	7.40	10.83	3.14
P/E F1	46.45	46.48	22.36	34.81	31.96	46.48
P/S TTM	4.35	0.76	2.86	1.46	0.74	0.27
Earnings Yield	2.15%	2.16%	4.34%	2.88%	3.13%	2.16%
Debt/Equity	0.27	0.36	0.70	0.72	0.10	1.13
Cash Flow ($/share)	6.75	0.50	6.93	5.68	1.53	8.68
Growth Score	C	-	-	F	F	B
Historical EPS Growth (3-5 Years)	-2.61%	-19.62%	9.71%	-9.25%	-19.62%	-36.12%
Projected EPS Growth (F1/F0)	-38.45%	-39.30%	0.00%	-68.98%	-66.88%	-84.88%
Current Cash Flow Growth	3.40%	-25.49%	5.22%	-13.65%	-31.56%	-60.42%
Historical Cash Flow Growth (3-5 Years)	2.30%	2.30%	8.33%	-3.72%	-3.81%	-4.93%
Current Ratio	3.19	2.87	1.38	1.03	3.54	2.26
Debt/Capital	21.31%	33.06%	41.97%	41.83%	9.30%	64.58%
Net Margin	7.84%	-1.62%	10.40%	-9.23%	-26.64%	-1.62%
Return on Equity	10.10%	9.92%	15.07%	11.13%	1.26%	9.73%
Sales/Assets	0.54	0.71	0.50	0.55	0.71	0.79
Projected Sales Growth (F1/F0)	-18.46%	-2.32%	0.00%	-28.07%	0.00%	-18.85%
Momentum Score	F	-	-	D	A	B
Daily Price Change	0.08%	0.00%	0.87%	-4.00%	-0.12%	-1.73%
1-Week Price Change	0.05%	0.00%	-0.44%	1.39%	-2.25%	-2.82%
4-Week Price Change	0.05%	-3.77%	1.88%	8.28%	-4.04%	-7.47%
12-Week Price Change	11.43%	16.67%	11.31%	98.86%	52.76%	30.42%
52-Week Price Change	-1.79%	-1.79%	6.87%	9.72%	-21.31%	44.06%
20-Day Average Volume (Shares)	1,460,314	211,182	1,719,058	2,324,887	211,182	1,110,062
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	281.44%
EPS F1 Estimate 12-Week Change	14.84%	16.67%	3.68%	156.13%	940.00%	222.22%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-0.34%	0.00%	-4.08%

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	D
Growth Score	C
Momentum Score	F
VGM Score	F

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.