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May 31, 2021

The TJX Companies (TJX)

$67.54 (As of 05/28/21)

Price Target (6-12 Months): **$72.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/26/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: C	Momentum: A

Summary

The TJX Companies' shares have underperfomed the industry in the past three months. The company has been bearing the brunt of pandemic-led store closures in Europe and Canada, which continued in the first quarter of fiscal 2022. Moreover, management continues to expect its performance to be adversely affected by such temporary store closures during the fiscal second quarter. Apart from this, the company is battling elevated pandemic-induced expenses. Nevertheless, The TJX Companies' fiscal first-quarter open-only comp store sales grew 16% from fiscal 2020 level. The company saw encouraging open-only comp store sales in overall apparel category as consumers are starting to return to normal activities. Well, The TJX Companies is benefiting from its solid store and e-commerce growth efforts. Also, its HomeGoods segment looks impressive.

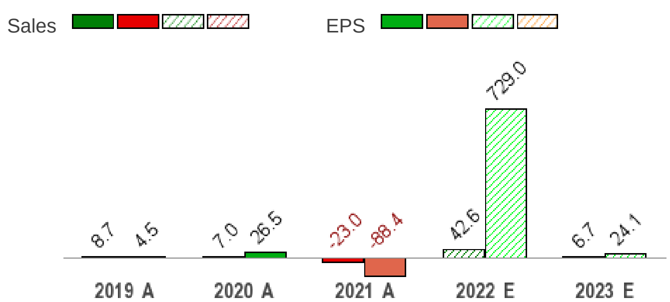
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	$74.65 - $48.73
20-Day Average Volume (Shares)	7,311,520
Market Cap	$81.5 B
Year-To-Date Price Change	-1.1%
Beta	0.98
Dividend / Dividend Yield	$1.04 / 1.5%
Industry	Retail - Discount Stores
Zacks Industry Rank	Top 28% (69 out of 249)
Last EPS Surprise	41.9%
Last Sales Surprise	15.4%
EPS F1 Estimate 4-Week Change	10.0%
Expected Report Date	08/18/2021
Earnings ESP	0.1%
P/E TTM	46.0
P/E F1	26.3
PEG F1	2.4
P/S TTM	2.2

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2023	11,285 E	11,996 E	12,397 E	14,268 E	48,908 E
2022	10,087 A	10,936 E	11,772 E	13,284 E	45,839 E
2021	4,409 A	6,668 A	10,117 A	10,943 A	32,137 A

EPS Estimates

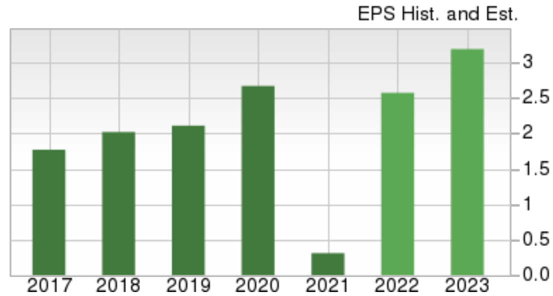
	Q1	Q2	Q3	Q4	Annual*
2023	$0.63 E	$0.77 E	$0.86 E	$0.98 E	$3.19 E
2022	$0.44 A	$0.56 E	$0.76 E	$0.85 E	$2.57 E
2021	-$0.74 A	-$0.18 A	$0.71 A	$0.50 A	$0.31 A

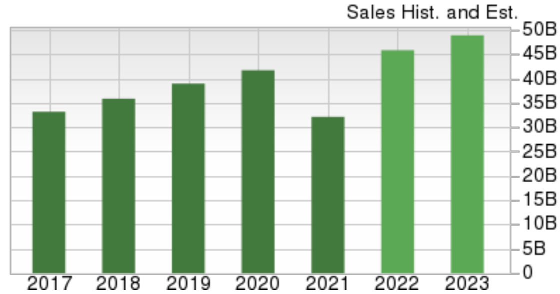
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 05/28/2021. The report’s text and the analyst-provided price target are as of 05/31/2021.

Overview

Based in Framingham, MA, The TJX Companies, Inc. is a leading off-price retailer of apparel and home fashions in the U.S. and worldwide. It has more than 4,300 stores across the globe, which are well known for their unique value proposition of brand, fashion, price and quality. The company's broad range of assortments at varying prices helps it to reach out to a broad range of consumers. In addition to these, The TJX Companies tries to attract consumers through rapid turn of inventories.





The company has been able to distinguish itself from traditional retailers on the grounds of opportunistic buying strategies and flexible business model. In fact, The TJX Companies' low-cost structure sets it apart from other traditional retailers. In order to maintain control on costs, the company engages in the promotion of retail banners, rather than specific brands. The company's distribution network is also designed in a manner such that helps curtailing costs. Moreover, the company emphasizes on creating strong relations with vendors across different countries, in order leverage buying power.

The TJX Companies operates through four business segments:

In the U.S., it operates through two segments, namely, Marmaxx (through stores under the names of T.J. Maxx and Marshalls) and HomeGoods.

Marmaxx divisions (60.3% of FY21 Sales) sell family apparel (including footwear and accessories), home fashions (including home basics, accent furniture, lamps, rugs, wall décor, decorative accessories and giftware) and other merchandise.

HomeGoods (18.9% of FY21 Sales) chain offers home basics, giftware, accent furniture, lamps, rugs, wall décor and decorative accessories from around the world, seasonal and other merchandise.

In Canada, it operates through TJX Canada (8.8% of FY21 Sales) through stores under the names of Winners, Marshalls and HomeSense and in Europe, it operates through TJX International (12% of FY21 Sales) through stores under the names of T.K. Maxx and HomeSense.

Source: Zacks Investment Research

Reasons To Buy:

Strength in HomeGoods category aided The TJX Companies' first-quarter fiscal 2022 results. Also, solid e-commerce efforts bode well.

▲ **Impressive Q1 Result**: The TJX Companies reported first-quarter fiscal 2022 numbers, with the top and the bottom line beating the Zacks Consensus Estimate. Moreover, earnings and sales increased year over year, despite negative impact from temporary pandemic-led store closures. The company witnessed solid performance in its home businesses across all divisions in the quarter. Also, it saw encouraging open-only comp store sales in overall apparel category as consumers are starting to return to normal activities. Further, the company's U.S. divisions saw double-digit open-only comp store sales growth. Also, sales in the international divisions were solid when stores were open in these markets.Notably, quarterly earnings of 44 cents per share compared favorably against a loss of 74 cents reported in the year-ago quarter. Further, net sales came in at $10,086.7 million, significantly higher than $4,408.9 million reported in the year-ago quarter. Moreover, net sales in the quarter increased 9% from first-quarter fiscal 2020 levels, despite pandemic-led closures.

Management stated that owing to temporary store closures amid the pandemic, the comp store sales definition was not applicable in the quarter under review. To offer a performance indicator for the stores as they reopen, The TJX Companies has come up with a temporary new sales measure — open-only comp store sales. Well, in the fiscal first quarter, the metric surged 16% when compared with the fiscal 2020 level. The metric increased 12%, 40%, 9% and 11% for Marmaxx (U.S.), HomeGoods (U.S.), TJX Canada and TJX International (Europe & Australia), respectively. Impressively, in the second quarter of fiscal 2022 (as of May 27, 2021), The TJX Companies witnessed overall open-only comp store sales trends that were prevalent in the first quarter.

▲ **Store & E-commerce Efforts**: The company has been benefiting from its solid store and e-commerce growth efforts. It regularly opens stores and expands fast across the U.S., Europe, Canada and Australia. Notably, The TJX Companies opened 67 new stores, taking the total count to 4,639 during the first quarter of fiscal 2022. Moreover, the company expanded its square footage by 1% year over year during the quarter. Earlier the company had highlighted that it expects to incur capital expenditures in the range of $1.2-$1.4 billion for fiscal 2022. This will be spent on opening new stores, remodels, relocations as well as investments in its distribution network and infrastructure.

Further, with increasing number of consumers resorting to online shopping, The TJX Companies has undertaken several initiatives to boost online sales and strengthen its e-commerce business. We believe that The TJX Companies' off-price model, along with its strategic store locations, impressive brands and fashion products, are likely to aid its performance, both in stores and online.

▲ **Strength in HomeGoods Category**: The TJX Companies' HomeGoods segment has been seeing robust demand for a while now. During the first quarter of fiscal 2022, open-only comp store sales surged 40% in the HomeGoods (U.S.) segment from fiscal 2020's level. During its fiscal first-quarter earnings call, management highlighted that it saw impressive sales in HomeGoods and Homesense across all primary categories and regions on the back of favorable consumer response to its mix of global home fashion products. Moreover, the company expects to keep witnessing robust sales trend in HomeGoods business as consumers are increasingly spending on their houses amid health crisis. Apart from this, The TJX Companies is on track to roll out homegoods.com by the end of 2021. With this launch, the company expects to offer impressive home fashion products at great value on its digital platform. Prior to this, open-only comp store sales increased 12% in the HomeGoods (U.S.) segment during the fiscal fourth quarter. We believe that continuation of this trend is likely to keep aiding the company's performance in the future.

▲ **Marketing Strategy & Loyalty Programs**: The company remains committed toward boosting growth, through effective marketing initiatives and loyalty programs. Incidentally, The TJX Companies' aggressive marketing and advertising campaigns through multiple mediums (TV, radio and social media) have been adding growth. In its last earnings call, management highlighted that it has rolled out new campaigns across television, digital and social media platforms for several banners this year. Apart from this, The TJX Companies' gift-giving initiatives, unique among off-price retailers and loyalty card program (which offers consumers a non-credit card choice and soft benefits such as early shopping hours) have been helpful in improving customer engagement.

▲ **Shareholder Friendly Moves**: The TJX Companies is keen on enhancing shareholders; returns through stock buybacks and declaring dividends. Incidentally, the company recently announced that it has reinstated its share repurchase program. In this regard, management plans to repurchase the company's stock worth $1 billion to $1.25 billion through the fiscal ending Jan 29, 2022. Notably, the company has almost $3 billion worth stocks remaining under its existing share buyback plans. Apart from this, The TJX Companies recently announced a quarterly dividend of 26 cents per share, payable on Sep 2, 2021 to shareholders of record as of Aug 12, 2021. The TJX Companies currently has a free cash flow yield of 8.1%, dividend payout of 70.7% and dividend yield of 1.5%. With an annual free cash flow return on investment of 36.1%, which is ahead of the industry's 30.4%; the dividend is likely to be sustainable.

The TJX Companies' long-term debt (including long-term operating lease liabilities) totaled $13,188.1 million at the end of first-quarter fiscal 2022 (as of May 1, 2021) which increased slightly from the previous quarter. Further, the company ended fiscal first-quarter with cash and cash equivalents of $8,775.5 million, while current portion of operating lease liabilities stood at $1,650.6 million.

Reasons To Sell:

> Coronavirus-Led store closures remain a threat to The TJX Companies' performance. Also, higher pandemic-led costs are a concern.

- **Coronavirus-Induced Hurdles**: The TJX Companies is witnessing coronavirus-induced hurdles like temporary store closures. This company's performance in the first quarter of fiscal 2022, was affected by temporary store closures thanks to the coronavirus outbreak. Although its stores in the United States were open, stores in Europe and Canada were shut for nearly 76% and 25% parts of the quarter, respectively. Overall, the company witnessed store closures for nearly 14% of the quarter. Management projects that the store closures in Europe and Canada are likely to have resulted in $1.1 billion to $1.2 billion worth of loss in sales during the first quarter of fiscal 2022. Incidentally, fiscal first-quarter earnings per share (EPS) were adversely impacted in the band of 21-24 cents.

  In its fiscal first-quarter earnings call, the company notified that presently almost 300 stores are temporarily shut thanks to government mandates amid the pandemic. Such stores are situated across Canada and Europe. Incidentally, management anticipates its stores in Canada and Europe to be temporarily shut for 17% and 7% of the second quarter of fiscal 2022, respectively. Overall, the company expects stores to be closed for nearly 3% of the fiscal second quarter, based on the current restrictions. In the fiscal second quarter, management expects total sales, pretax margin and EPS to be adversely affected by store closures. Shares of The TJX Companies have inched up 0.4% in the past three months compared with the industry's growth of 10.6%.

- **Cost Woes**: The TJX Companies is battling coronavirus-induced expenses for a while now. During first-quarter fiscal 2022, the company witnessed approximately $200 million in additional pandemic-led net costs. Prior to this, it saw nearly $300 million in additional net costs related to COVID-19 in the fiscal fourth quarter. These included additional payroll to clean the store and monitor occupancy levels, expenses of PP&E and appreciation bonus for certain associates among others. We believe that persistence of such trend is a concern tothe company.

- **Currency Headwinds**: The TJX Companies' is exposed to unfavorable foreign currency translations owing to the company's significant exposure to international markets. The weakening of foreign currencies against the U.S. dollar may compel the company to either raise prices or lower profit margins in locations outside the country. Therefore, volatility in exchange rates pose formidable risks for the periods ahead.

- **Off Price Retail Nature May Put Pressure on Margins**: The TJX Companies provides goods at discounted prices. For example, TJX has been selling coveted apparel brands such as Tommy Hilfiger and Marc Jacobs at prices 20%-60% prices than those offered by others. Despite rising product costs, TJX, being an off-price retailer, cannot increase the price of its products, which may lead to lower margins.

Last Earnings Report

The TJX Companies' Q1 Earnings Beat Estimates, Sales Up

Quarter Ending	04/2021
Report Date	May 19, 2021
Sales Surprise	15.37%
EPS Surprise	41.94%
Quarterly EPS	0.44
Annual EPS (TTM)	1.47

The TJX Companies reported first-quarter fiscal 2022 numbers, with the top and the bottom line beating the Zacks Consensus Estimate. Moreover, earnings and sales increased year over year. The company witnessed solid performance in its home businesses across all divisions. Also, it saw encouraging open-only comp store sales in overall apparel category as consumers are starting to return to normal activities. Further, the company's U.S. divisions saw double-digit open-only comp store sales growth. Also, sales in the international divisions were solid when stores were open in these markets.

Q1 in Details

The company reported first-quarter earnings of 44 cents per share. The TJX Companies' bottom line came in at a loss of 74 cents per share in the year-ago quarter. Moreover, earnings surpassed the Zacks Consensus Estimate of 31 cents per share.

Net sales came in at $10,086.7 million, significantly higher than $4,408.9 million reported in the year-ago quarter. Notably, the company highlighted that pandemic-led store closures were undertaken for nearly 50% during the same quarter last year. Further, net sales in the quarter increased 9% when compared with the first quarter of fiscal 2020. Moreover, the metric beat the Zacks Consensus Estimate of $8,742.8 million.

Management stated that owing to temporary store closures amid the pandemic, the comp store sales definition was not applicable in the quarter under review. To offer a performance indicator for the stores as they reopen, The TJX Companies has come up with a temporary new sales measure — open-only comp store sales. This includes stores that were initially classified as comp stores (in the beginning of fiscal 2021). This metric reports rise or decline in sales of stores for the days they were operational in the first quarter of fiscal 2022 compared with the same days in fiscal 2020 before the pandemic.

Markedly, open-only comp store sales for the company surged 16% when compared with the first quarter of fiscal 2020. The metric increased 12%, 40%, 9% and 11% for Marmaxx (U.S.), HomeGoods (U.S.), TJX Canada and TJX International (Europe & Australia), respectively.

The company's consolidated pretax profit margin came in at 7.2%. Notably, merchandise margin improved slightly when compared with the first quarter of fiscal 2020 on the back of solid markon and reduced markdowns. These were somewhat countered by higher freight costs.

Other Financial Updates

The company ended the quarter with cash and cash equivalents of $8,775.5 million, long-term debt of $5,334.9 million and shareholders' equity of $6,139.2 million.

For thirteen weeks ended May 1, 2021, the company used operating cash flow of $432.7 million. The company expects to declare a quarterly dividend in the second quarter of fiscal 2022.

Total inventories as of May 1, 2021, were $5.1 billion, down from $4.9 billion in the year-ago period. Further, the company is optimistic about its capabilities to provide fresh assortment of products in its stores and online websites during the summer season.

Store & More Updates

This company's performance in fiscal first quarter was affected by temporary store closures thanks to the coronavirus outbreak. Although its stores in the United States were open, stores in Europe and Canada were shut for nearly 76% and 25%, respectively, of the quarter. Overall, the company witnessed store closures for nearly 14% of the quarter. Management projects that the store closures in Europe and Canada are likely to have resulted in $1.1 billion to $1.2 billion worth of loss in sales during the first quarter of fiscal 2022. Incidentally, fiscal first-quarter EPS were adversely impacted in the band of 21-24 cents.

Currently, the company has almost 300 stores that are temporarily shut thanks to government mandates amid the pandemic. Such stores are situated across Canada and Europe. At present, management anticipates its stores in Canada and Europe to be temporarily shut for 17% and 7% of the second quarter of fiscal 2022, respectively. Overall, the company expects stores to be closed for nearly 3% of the fiscal second quarter, based on the current restrictions. Nevertheless, its online business continues to be operational.

Outlook

At the beginning of the second quarter of fiscal 2022, the company is currently witnessing overall open-only comp store sales trends that were prevalent in the first quarter. In the fiscal second quarter, management expects total sales, pretax margin and EPS to be adversely affected by store closures.

Recent News

The TJX Companies Declares Dividend, Reinstates Share Buy Back Plan – May 27, 2021

The TJX Companies announced that it has reinstated its share repurchase program. In this regard, management plans to repurchase the company's stock worth $1 billion to $1.25 billion through the fiscal ending Jan 29, 2022. Notably, the company has almost $3 billion worth stocks remaining under its existing share buyback plans. Apart from this, The TJX Companies announced a quarterly dividend of 26 cents per share, payable on Sep 2, 2021 to shareholders of record as of Aug 12, 2021. In the second quarter of fiscal 2022 (as of May 27, 2021), The TJX Companies witnessed overall open-only comp store sales trends that were prevalent in the first quarter.

Valuation

The TJX Companies' shares are down 1.1% in the year-to-date period and up 26.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 5.4% and the Zacks Retail-Wholesale sector declined 2.2% in the year-to-date period. Over the past year, the Zacks sub-industry went up 32.6% while the sector gained 22.3%.

The S&P 500 index is up 12.6% in the year-to-date period and 39.6% in the past year.

The stock is currently trading at 1.74X forward 12-month sales, which compares to 1.6X for the Zacks sub-industry, 1.33X for the Zacks sector and 4.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.53X and as low as 0.99X, with a 5-year median of 1.51X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $72 price target reflects 1.85X forward 12-month sales.

The table below shows summary valuation data for TJX

Valuation Multiples - TJX

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.74	1.6	1.33	4.7
	5-Year High	2.53	1.68	1.41	4.74
	5-Year Low	0.99	0.96	0.84	3.21
	5-Year Median	1.51	1.22	1.02	3.72
P/B TTM	Current	13.27	13.54	5.29	6.98
	5-Year High	15.29	13.98	6.5	7.03
	5-Year Low	7.44	7.25	3.8	3.83
	5-Year Median	11.79	9.6	5.16	5.01
EV/EBITDA F12M	Current	14.12	18.35	13.76	15.87
	5-Year High	49.33	22.53	14.56	16.52
	5-Year Low	7.74	11	8.78	10.79
	5-Year Median	11.85	14.63	11.52	13.57

As of 05/28/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 28% (69 out of 249)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Kohls Corporation **(KSS)**	Outperform	3
Target Corporation **(TGT)**	Outperform	1
Big Lots, Inc. **(BIG)**	Neutral	3
Burlington Stores, Inc. **(BURL)**	Neutral	3
Costco Wholesale Corporation **(COST)**	Neutral	3
Dollar General Corporation **(DG)**	Neutral	2
Dollar Tree, Inc. **(DLTR)**	Neutral	3
Ross Stores, Inc. **(ROST)**	Neutral	3

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

Industry Comparison Industry: Retail - Discount Stores

	TJX	X Industry	S&P 500	BURL	DG	DLTR
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	A	A	A
Market Cap	81.45 B	33.84 B	30.52 B	21.53 B	47.94 B	22.62 B
# of Analysts	12	11	12	10	26	10
Dividend Yield	1.54%	0.83%	1.29%	0.00%	0.83%	0.00%
Value Score	C	-	-	C	B	A
Cash/Price	0.11	0.07	0.06	0.07	0.01	0.07
EV/EBITDA	65.05	12.94	17.26	-191.92	12.44	9.45
PEG F1	2.41	1.73	2.18	NA	1.73	1.54
P/B	13.27	7.67	4.18	39.88	7.67	3.05
P/CF	61.84	19.42	17.54	388.07	15.40	11.28
P/E F1	26.28	23.63	21.80	42.92	21.00	16.03
P/S TTM	2.15	1.15	3.49	3.01	1.42	0.88
Earnings Yield	3.81%	4.28%	4.50%	2.33%	4.76%	6.24%
Debt/Equity	0.87	0.66	0.66	3.85	0.66	0.44
Cash Flow ($/share)	1.09	6.59	6.82	0.83	13.18	8.64
Growth Score	C	-	-	A	A	A
Historical EPS Growth (3-5 Years)	-17.15%	11.79%	9.49%	11.79%	22.73%	10.47%
Projected EPS Growth (F1/F0)	730.10%	23.34%	21.44%	393.15%	-8.98%	7.66%
Current Cash Flow Growth	-69.25%	-0.42%	0.74%	-92.22%	44.07%	-3.20%
Historical Cash Flow Growth (3-5 Years)	-14.65%	6.93%	7.32%	-30.80%	16.24%	13.68%
Current Ratio	1.52	1.36	1.39	1.58	1.14	1.36
Debt/Capital	46.49%	39.79%	41.55%	79.40%	39.79%	30.34%
Net Margin	4.00%	5.71%	11.79%	4.03%	7.96%	5.71%
Return on Equity	32.30%	32.30%	16.10%	82.78%	39.37%	20.64%
Sales/Assets	1.27	1.31	0.51	1.06	1.31	1.24
Projected Sales Growth (F1/F0)	42.64%	9.13%	9.23%	50.73%	0.31%	3.04%
Momentum Score	A	-	-	A	A	D
Daily Price Change	0.45%	-0.30%	0.11%	-0.39%	-0.70%	-2.61%
1-Week Price Change	0.75%	0.48%	1.01%	0.22%	-1.01%	-10.20%
4-Week Price Change	-4.87%	-2.19%	1.74%	-0.91%	-5.49%	-15.14%
12-Week Price Change	7.68%	9.70%	10.80%	15.76%	13.57%	-6.32%
52-Week Price Change	28.01%	40.32%	43.34%	54.23%	5.98%	-0.38%
20-Day Average Volume (Shares)	7,311,520	2,049,599	1,955,929	510,454	2,068,484	2,030,715
EPS F1 Estimate 1-Week Change	0.52%	1.87%	0.00%	3.12%	4.02%	-2.59%
EPS F1 Estimate 4-Week Change	10.01%	5.77%	0.71%	8.20%	4.16%	-2.29%
EPS F1 Estimate 12-Week Change	8.58%	4.34%	3.16%	6.88%	-1.42%	-2.73%
EPS Q1 Estimate Monthly Change	12.96%	7.12%	0.16%	11.79%	0.77%	-6.98%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

Disclosures

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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