Ulta Beauty Inc. (ULTA)

$329.37 (As of 06/18/21)

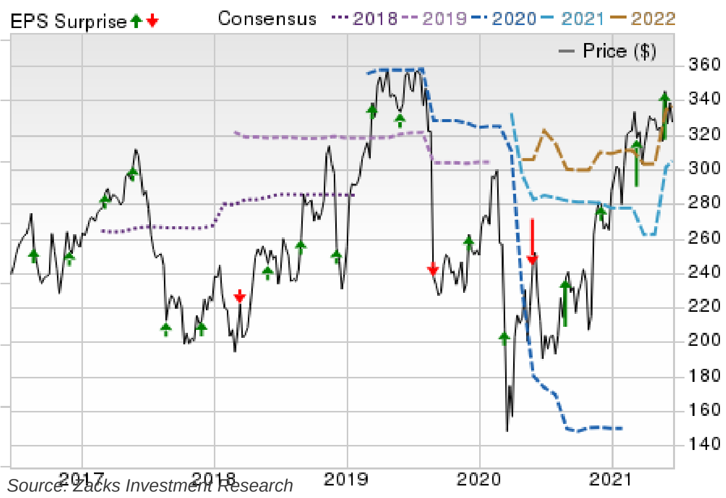
Price Target (6-12 Months): **$376.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/01/21) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:C
	Value: D | Growth: A | Momentum: C	

Summary

Ulta Beauty has outpaced the industry in the past six months. The company has been benefiting from robust e-commerce trends, as well as strength in the skincare category. These upsides fueled first-quarter fiscal 2021 results, wherein the top and bottom lines grew year over year and crushed the Zacks Consensus Estimate. Moreover, management raised its fiscal view. Robust sales and cost-containment efforts drove the bottom line, while sales gained on government stimulus, better consumer confidence and relaxation of pandemic-related curbs. Also, the desire for newness has been an upside. Certainly, the company's focus on its six key strategies is yielding results. That being said, high SG&A expenses remain a threat. Also, pandemic-led hurdles in the services business and uncertainty related to full makeup category recovery are concerning.

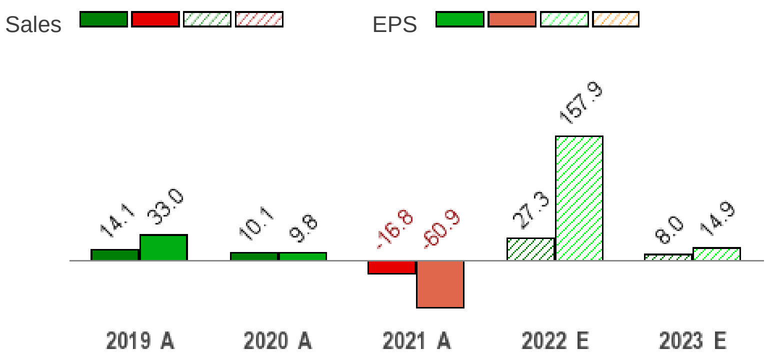
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$351.72 - $186.01**
20-Day Average Volume (Shares)	**814,181**
Market Cap	**$17.9 B**
Year-To-Date Price Change	**13.9%**
Beta	**1.70**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Retail - Miscellaneous**
Zacks Industry Rank	**Top 13% (34 out of 252)**
Last EPS Surprise	**113.5%**
Last Sales Surprise	**15.9%**
EPS F1 Estimate 4-Week Change	**25.7%**
Expected Report Date	**08/26/2021**
Earnings ESP	**-1.1%**
P/E TTM	**33.1**
P/E F1	**27.4**
PEG F1	**1.5**
P/S TTM	**2.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2023	2,090 E	1,851 E	1,854 E	2,593 E	8,459 E
2022	1,939 A	1,714 E	1,739 E	2,409 E	7,831 E
2021	1,173 A	1,228 A	1,552 A	2,199 A	6,152 A

EPS Estimates

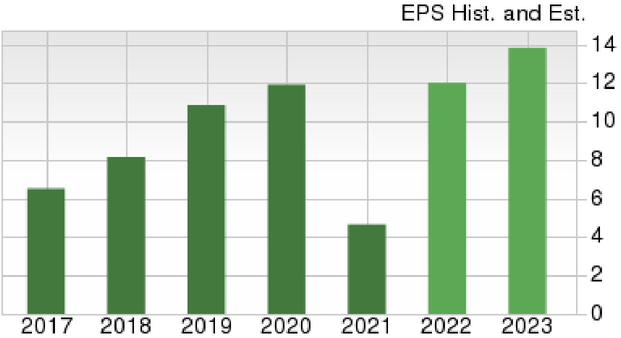
	Q1	Q2	Q3	Q4	Annual*
2023	$4.60 E	$2.46 E	$2.53 E	$4.37 E	$13.81 E
2022	$4.10 A	$2.21 E	$2.10 E	$3.82 E	$12.02 E
2021	-$1.12 A	$0.73 A	$1.64 A	$3.41 A	$4.66 A

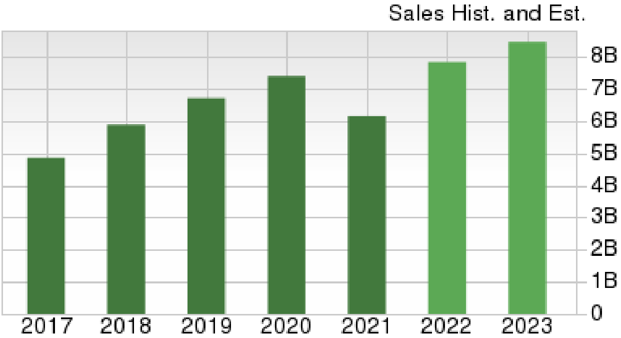
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/18/2021. The report's text and the analyst-provided price target are as of 06/21/2021.

Overview

Bolingbrook, IL-based, Ulta Beauty Inc., previously known as Ulta Salon, Cosmetics & Fragrance, Inc., is a leading beauty retailer in the United States. Founded in 1990, the company changed its name to Ulta Beauty in January 2017.





The company offers a wide range of products including cosmetics, fragrance, skincare, hair care, bath and body products, and salon styling tools in stores. It sells more than 25,000 products from about 500 well-established and emerging beauty brands across all categories and price points. We note that the company's skincare category has been standing out in particular for a while now, given consumers' rising consciousness.

Meanwhile, the beauty products retailer also provides private label products comprising Ulta Beauty Collection branded cosmetics, skincare, and bath products. Additionally, the company operates a full-service salon in every store offering hair, skin and brow services. Additionally, it offers products through its Website, ulta.com, as well as mobile applications. The products offered by the company include the prestige and mass beauty brands.

As part of its value proposition, Ulta Beauty provides a range of loyalty programs through its Customer Relationship Management platform. It also offers frequent promotions, coupons, in-store events and gifts. The company also makes use of a range of media platforms to advertise products as well as generate awareness. The company strives to boost distribution center capabilities to better support store footfall and online demand.

The company has a strong vendor base and holds partnerships with companies such as Estee Lauder, L'Oréal and Shiseido. Ulta Beauty works closely with vendors to provide improved growth platforms for new and existing brands.

Ulta Beauty ended the first quarter of fiscal 2021 with 1,290 stores. For fiscal 2021, the company plans to open approximately 40 stores along with carrying out 19 store remodeling and relocation projects.

Source: Zacks Investment Research

Reasons To Buy:

> Ulta Beauty is gaining from robust omni-channel experience, efforts to boost assortments as well as unique loyalty programs. Focus on six key priorities is also noteworthy.

▲ **Robust Q1 Results & Raised Guidance:** Shares of Ulta Beauty have gained 23.4% in the past six months compared with the industry's growth of 0.1%. The company has been benefiting from strength in its skincare category, as well as robust e-commerce trends. These upsides fueled results in first-quarter fiscal 2021, wherein both top and bottom lines increased year over year and came way past the Zacks Consensus Estimate. Net sales of this beauty retailer surged 65.2% year over year to $1,938.5 million and easily beat the Zacks Consensus Estimate of $1,673 million. The rise in sales can be attributable to positive impacts in the United States from government stimulus payments, better consumer confidence and relaxation of pandemic-related curbs. Also, the desire for newness is driving consumer spending in the beauty space. Comparable sales or comps soared 65.9%. This solid growth was broad-based, with better-than-expected performance across categories, regions and channels, especially stores (with consumers becoming extremely comfortable with in-store shopping).

Robust sales and cost-containment efforts also drove the operating income, which in turn boosted the bottom line. Ulta Beauty remains well placed for recovery in the beauty space, thanks to its differentiated model and endeavors to build important guest connections. Impressively, the company raised its sales, comps, operating margin and earnings guidance for fiscal 2021. Management now expects net sales of $7.7-$7.8 billion, up from $7.2-$7.3 billion expected before. Comps growth is now expected in the range of 23-25% compared with the prior band of 15-17%. Further, management expects operating margin to be around 11% now, up from 9% projected before. Growth in operating margin is likely to be driven by an expansion in gross margin. Earnings are now envisioned in the range of $11.5-$11.95 per share, in comparison with $8.85-$9.30 per share forecasted earlier.

▲ **Omni-channel Growth:** Ulta Beauty is known for its strategy of striking the right balance between online and physical stores. E-commerce delivered a solid performance in the first quarter, rising in the mid-teens range on the back of robust traffic and increased average order. Markedly, buy online, pick up in-store or BOPIS penetration elevated to roughly 16% of total e-commerce sales in the first quarter, up from 4% in the same period last year. Apart from these, the company's stores and ship-to-home channels drove e-commerce sales. Additionally, the company's initiatives to boost online promotions and customer engagement have been supporting online sales growth. With consumers growing enthusiasm toward online sales, management remains on track with expanding capacity at fulfillment centers, expansion of ship from store capabilities as well as curbside pickups. The company is also benefiting from its mobile app and virtual try-on capabilities.

Apart from this, management remains encouraged about its planned partnership with Target, per which it will debut Ulta Beauty at Target in more than 100 locations of Target as well as on Target.com. This will offer customers a shop-in-shop experience across certain Target locations as well as online. On its first-quarter fiscal 2021 earnings call, management stated that it is on track to introduce its first shops in late summer this year. Talking of stores, the company introduced 28 stores during the first quarter and plans to open approximately 40 stores in fiscal 2021, along with carrying out 19 store remodeling and relocation projects.

▲ **Strong Skincare Category:** Ulta Beauty has been seeing market share gains in major beauty categories for a while now, with skincare standing out. In fiscal 2019, the skincare portfolio was bolstered by 47 new brands like The Ordinary, Sunday Riley and Urban Skin RX. Moreover, management increased selling space and stores alongside improving its marketing efforts to support skincare growth. The company's skincare brands continued growing during fiscal 2020, backed by consumers' increased focus on self-care and wellness. The trend continued in the first quarter of fiscal 2021, wherein skincare saw sturdy sales growth. As a percentage of sales, skincare expanded 200 basis points to 19% in the first quarter. Consumers have been showing rising interest in new brands like Keys Soulcare, LOLI Beauty, and Urban Skin Pro, as well as from new products under Tula, Pacifica, and Central Bay. Apart from these, the company also saw strength in the fragrance and haircare category, with the latter gaining on the DIY trends, hair color, color care, and hair styling tools. Consumers' increased focus on skincare and hair amid higher at-home grooming is likely to keep aiding these categories.

▲ **Financial Analysis:** Ulta Beauty had operating lease liabilities (non-current) of $1,613.3 million as of the end of the first quarter of fiscal 2021 or May 1, 2021, compared with $1,643.4 million as of the end of the fourth quarter of fiscal 2020. Further, Ulta Beauty ended the first quarter with cash and cash equivalents of $947.5 million. Net cash provided by operating activities was $330.1 million for the 13 weeks ended May 1, 2021. Additionally, the company repurchased shares worth $382.3 million during the first quarter. As of May 1, 2021, the company had $1.1 billion worth of shares remaining under its $1.6-billion buyback program announced in March 2020. The company expects share buybacks of nearly $850 million in fiscal 2021.

▲ **Focus on 6 Key Priorities:** The company has been focused on its six strategic priorities. The company's foremost priority is to strengthen its omnichannel business and explore the potential of both physical and digital facets. The pandemic has in fact speeded up this process for the company, given consumers' increased online engagement. Ulta Beauty has made significant progress on this front, evident from its solid e-commerce initiatives. Next, the company is undertaking various tools to enhance experience of guests, like offering a virtual try-on tool and in-store education, and reimagining fixtures, among others. Thirdly, the company concentrates on offering customers a curated and exclusive range of beauty products through innovation. Fourthly, the company is focused on deepening customer engagement by boosting rewards and loyalty programs. Fifthly, management is committed to optimizing its cost structure. Apart from these, the company strives to boost organizational talent and strengthen culture.

Risks

- **High SG&A Costs:** In the first quarter of fiscal 2021, SG&A expenses escalated from $380.9 million to $443.9 million. This can be mainly accountable to elevated store payroll and benefits, together with increased advertising costs. Continued rise in such costs are likely to put pressure on margins.

- **Pandemic Hurts Services Business:** Ulta Beauty's Services business has been majorly hurt by COVID-related capacity limitations as well as local constraints. Although sales from the services business increased in the first quarter of fiscal 2021, it remained lower than pre-pandemic levels due to appointment limitations stemming from the pandemic-induced social distancing norms. As a percentage of sales, the services category contracted 400 basis points to nearly 3%. Soft trends in service business remain a concern for the company.

- **Makeup Category Hurdles:** The U.S. beauty market has been struggling with soft makeup sales trend, which remains a concern for Ulta Beauty. In the first quarter of fiscal 2021, comp sales in the makeup category remained negative, though it reflected a sequential improvement. Though the category is expected to see recovery this year on the back of increased consumer confidence, relaxation of curbs, social media influence and newness in products, full recovery in the makeup category remains tough to predict.

  Well, makeup has witnessed a number of up and down cycles in the United States. The downside started in 2017 and accelerated in the late 2018 as a result of absence of innovations and newer products in the makeup category. This trend continued through fiscal 2019. Moreover, in fiscal 2020, the pandemic-led stay-at-home trends casted a pall on sale of makeup products, due to fewer outings and increased use of masks.

- **Stiff Competition in the Beauty Realm:** Ulta Beauty competes with a diverse group of retailers like department stores, mass merchandisers, specialty retailers, drug stores, high-end and discount salon chains, locally-owned beauty retailers and salons, online retailers as well as pure-play e-commerce companies amongst others. Many competitors have greater financial resources and business strength to capture opportunities in the beauty space. This is likely to pose threats to Ulta Beauty's footing in the industry. Also, the availability of a number of cheaper beauty alternatives is a limiting factor.

Last Earnings Report

Ulta Beauty Q1 Earnings Beat Estimates, View Raised

Quarter Ending	04/2021
Report Date	May 27, 2021
Sales Surprise	15.85%
EPS Surprise	113.54%
Quarterly EPS	4.10
Annual EPS (TTM)	9.88

Ulta Beauty delivered first-quarter fiscal 2021 earnings per share (EPS) of $4.10, which came considerably ahead of the Zacks Consensus Estimate of $1.92. Net sales surged 65.2% year over year to $1,938.5 million and easily beat the Zacks Consensus Estimate of $1,673 million. The rise in sales can be attributable to positive impacts in the United States from government stimulus payments, better consumer confidence and relaxation of pandemic-related curbs. Also, the desire for newness is driving consumer spending in the beauty space.

Comparable sales or comps soared 65.9% against a 35.3% slump recorded in the prior-year quarter. This solid growth was broad-based, with better-than-expected performance across categories, regions and channels, especially stores (with consumers becoming extremely comfortable with in-store shopping). Notably, comps take into account stores that were open for at least 14 months, including stores temporarily closed due to the pandemic and e-commerce sales. During the quarter under review, the company registered a jump in transactions of 52.5% and a rise of 8.8% in average ticket. Comps grew 7% from the figure reported the first quarter of fiscal 2019.

Also, e-commerce delivered a solid performance, rising in the mid-teens range on the back of robust traffic and increased average order. Markedly, buy online, pick up in-store or BOPIS penetration elevated to roughly 16% of total e-commerce sales in the first quarter, up from 4% in the same period last year. Apart from these, the company's stores and ship-to-home channels drove e-commerce sales.

Gross profit advanced from $303.6 million to $753.8 million. Gross margin rose from 25.9% to 38.9% owing to improved merchandise margins, fixed cost leverage on higher sales, positive channel mix shifts and reduced salon costs.

SG&A expenses escalated from $380.9 million to $443.9 million in the first quarter of fiscal 2021. This can be mainly accountable to elevated store payroll and benefits, together with increased advertising costs. SG&A expenses (as a percentage of sales) declined from 32.5% to 22.9% in the quarter under review owing to greater net sales.

Operating income came in at $305.3 million and the operating margin was 15.8%. In the first quarter of fiscal 2020, the company posted adjusted operating loss of $81.9 million. The year-over-year growth can be accountable to sturdy sales growth (especially in brick and mortar) and the impact of cost-containment efforts.

Other Updates

Ulta Beauty ended the quarter with cash and cash equivalents of $947.5 million. Net merchandise inventories came in at $1,353.6 million. Stockholders' equity at the end of the quarter stood at $1,844.7 million. Net cash provided by operating activities was $330.1 million for the 13 weeks ended May 1, 2021. Additionally, the company repurchased shares worth $382.3 million during the first quarter. As of May 1, 2021, the company had $1.1 billion worth of shares remaining under its $1.6-billion buyback program announced in March 2020. The company expects share buybacks of nearly $850 million in fiscal 2021. Ulta Beauty's capital expenditures amounted to $34.6 million during the first quarter. For fiscal 2021, capital expenditures are expected in the bracket of $225-$250 million now compared with $200-$250 million forecasted earlier.

During the first quarter, the company introduced 28 stores, alongside relocating one and closing two. That said, Ulta Beauty ended the quarter with 1,290 stores. For fiscal 2021, the company plans to open approximately 40 stores along with carrying out 19 store remodeling and relocation projects.

Outlook

Impressively, the company raised its sales, comps, operating margin and earnings guidance for fiscal 2021. Management now expects net sales of $7.7-$7.8 billion, up from $7.2-$7.3 billion expected before. Comps growth is now expected in the range of 23-25% compared with the prior band of 15-17%. Further, management expects operating margin to be around 11% now, up from 9% projected before. Growth in operating margin is likely to be driven by an expansion in gross margin. Earnings are now envisioned in the range of $11.5-$11.95 per share, in comparison with $8.85-$9.30 per share forecasted earlier.

Recent News

Ulta Beauty Announces CEO Transition – Mar 12, 2021

Ulta Beauty announced that Dave Kimbell, president, will succeed Mary Dillon as chief executive officer. Moreover, Dillon will transition to the role of executive chair of the board of directors. Additionally, Kecia Steelman, currently chief store operations officer, will be elevated to the role of chief operating officer. All the transitions will be put into effect in June, following the company's annual shareholders meeting.

Valuation

Ulta Beauty shares are up 14% in the year-to-date period and 59.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 1.3%, while the Zacks Retail-Wholesale sector dipped 1.7% in the year-to-date period. Over the past year, the Zacks sub-industry was up 18.2%, while the sector gained 18.6%.

The S&P 500 index is up 12.5% in the year-to-date period and 37.9% in the past year.

The stock is currently trading at 25.75X forward 12-month earnings, which compares to 18.32X for the Zacks sub-industry, 22.35X for the Zacks sector and 20.79X for the S&P 500 index.

Over the past five years, the stock has traded as high as 73.75X and as low as 9.93X, with a 5-year median of 25.27X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $376 price target reflects 29.61X forward 12-month earnings.

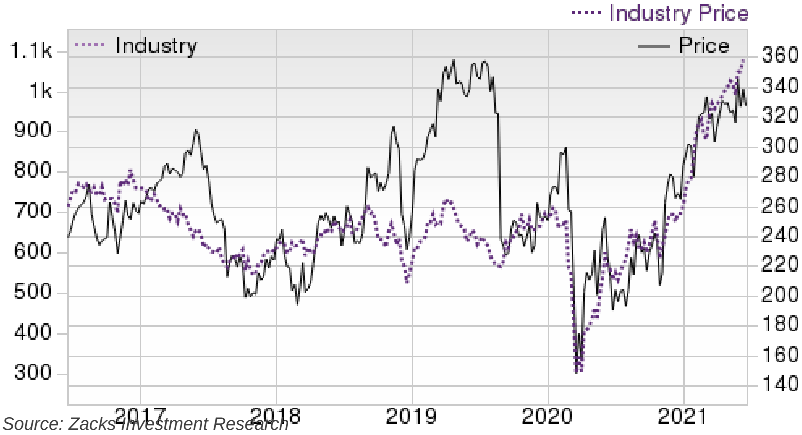
The table below shows summary valuation data for ULTA

Valuation Multiples - ULTA

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.75	18.32	22.35	20.79
	5-Year High	73.75	24.86	27.24	24.32
	5-Year Low	9.93	12.32	15.09	15.4
	5-Year Median	25.27	17.18	20.8	19.58
P/S F12M	Current	2.23	1.16	0.68	0.52
	5-Year High	3.5	1.24	0.78	0.52
	5-Year Low	0.91	0.53	0.41	0.35
	5-Year Median	2.24	0.87	0.55	0.42
EV/EBITDA TTM	Current	16.83	14.21	19.18	17.1
	5-Year High	29.75	15.17	20.82	17.74
	5-Year Low	5.79	4.88	11.18	9.63
	5-Year Median	16.07	9.34	13.47	13.47

As of 06/20/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 13% (34 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Inter Parfums, Inc. **(IPAR)**	Outperform	1
Sally Beauty Holdings, Inc. **(SBH)**	Outperform	1
Coty Inc. **(COTY)**	Neutral	3
The Estee Lauder Companies Inc. **(EL)**	Neutral	3
Nu Skin Enterprises, Inc. **(NUS)**	Neutral	2
Helen of Troy Limited **(HELE)**	Underperform	5
Revlon, Inc. **(REV)**	Underperform	4
Regis Corporation **(RGS)**	Underperform	5

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

Industry Comparison Industry: Retail - Miscellaneous

Industry Peers

	ULTA	X Industry	S&P 500	IPAR	RGS	SBH
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Underperform	Outperform
Zacks Rank (Short Term)	1	-	-	1	5	1
VGM Score	C	-	-	C	F	B
Market Cap	17.92 B	2.13 B	29.25 B	2.27 B	341.79 M	2.13 B
# of Analysts	15	4.5	12	4	1	5
Dividend Yield	0.00%	0.00%	1.38%	1.40%	0.00%	0.00%
Value Score	D	-	-	F	F	A
Cash/Price	0.05	0.14	0.06	0.13	0.10	0.19
EV/EBITDA	32.09	6.89	16.74	24.66	-5.07	8.41
PEG F1	1.49	1.22	2.04	NA	NA	NA
P/B	9.71	3.26	3.99	3.21	6.90	15.76
P/CF	32.81	8.68	16.91	47.77	6.55	8.47
P/E F1	27.40	14.36	20.66	41.64	NA	8.27
P/S TTM	2.59	0.80	3.31	3.82	0.91	0.60
Earnings Yield	3.67%	5.71%	4.76%	2.40%	-19.69%	12.11%
Debt/Equity	0.00	0.18	0.66	0.01	3.59	10.31
Cash Flow ($/share)	9.97	3.16	6.83	1.50	1.46	2.22
Growth Score	A	-	-	B	F	C
Historical EPS Growth (3-5 Years)	2.68%	12.87%	9.59%	5.94%	141.04%	-3.54%
Projected EPS Growth (F1/F0)	157.83%	39.34%	21.58%	42.15%	-213.33%	86.72%
Current Cash Flow Growth	-43.09%	-2.97%	0.99%	-31.45%	-44.09%	-34.45%
Historical Cash Flow Growth (3-5 Years)	2.98%	8.86%	7.28%	3.66%	1.25%	-5.62%
Current Ratio	1.68	1.47	1.39	4.03	0.58	1.68
Debt/Capital	0.00%	19.80%	41.51%	1.28%	78.19%	91.15%
Net Margin	7.01%	5.38%	11.95%	9.42%	-40.56%	4.03%
Return on Equity	29.86%	26.41%	16.48%	8.35%	-142.81%	401.89%
Sales/Assets	1.35	1.30	0.51	0.71	0.32	1.17
Projected Sales Growth (F1/F0)	26.62%	2.71%	9.41%	30.70%	-39.02%	7.41%
Momentum Score	C	-	-	C	B	B
Daily Price Change	-0.35%	-1.65%	-1.31%	-1.94%	3.47%	-1.72%
1-Week Price Change	-3.33%	-5.15%	-1.91%	-6.83%	-7.55%	-9.34%
4-Week Price Change	3.51%	-0.84%	0.25%	-3.98%	6.11%	-14.14%
12-Week Price Change	7.98%	2.40%	4.83%	0.73%	-24.80%	-7.38%
52-Week Price Change	54.20%	70.83%	34.50%	53.00%	10.79%	57.31%
20-Day Average Volume (Shares)	814,181	507,423	1,830,063	67,912	261,921	1,081,287
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	25.72%	0.73%	0.01%	0.00%	0.00%	3.31%
EPS F1 Estimate 12-Week Change	26.74%	15.85%	3.48%	16.61%	-53.02%	34.23%

EPS Q1 Estimate Monthly Change	17.31%	0.00%	0.00%	0.00%	0.00%	1.20%

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	D
Growth Score	A
Momentum Score	C
VGM Score	C

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.