

Ulta Beauty Inc. (ULTA)

\$205.49 (As of 06/22/20)

Price Target (6-12 Months): **\$216.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/25/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: F

Momentum: D

Summary

Though shares of Ulta Beauty have underperformed the industry in the past three months, the trend is likely to improve in the near term. Notably, the company has started reopening stores and plans to continue the process in a phased manner. In its first-quarter fiscal 2020 earnings call, the company stated that it is seeing greater-than-expected sales in reopened stores, which reflect solid e-commerce penetration. Notably, Ulta Beauty operated as a digital-only business in the quarter, wherein stores were temporarily closed due to coronavirus. Consequently, earnings and sales fell year over year. Moreover, escalated costs hurt margins. We note that Ulta Beauty's makeup category is under pressure due to social distancing and delayed innovation. Nevertheless, its skincare category is well placed. Also, Ultimate Rewards program has been yielding.

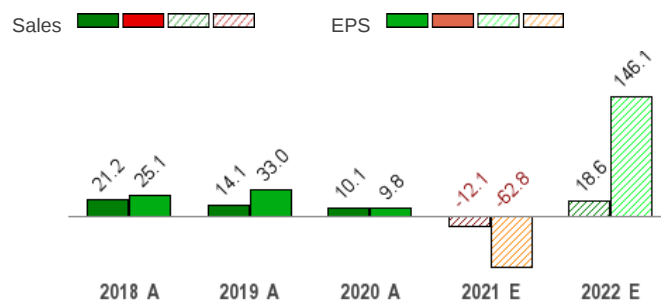
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$368.83 - \$124.05
20 Day Average Volume (sh)	1,412,835
Market Cap	\$11.6 B
YTD Price Change	-18.8%
Beta	1.47
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Retail - Miscellaneous
Zacks Industry Rank	Top 25% (64 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-354.6%
Last Sales Surprise	-2.2%
EPS F1 Est- 4 week change	-42.4%
Expected Report Date	09/03/2020
Earnings ESP	-8.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,676 E	1,674 E	1,806 E	2,525 E	7,713 E
2021	1,173 A	1,302 E	1,676 E	2,380 E	6,504 E
2020	1,743 A	1,667 A	1,683 A	2,306 A	7,398 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.39 E	\$2.61 E	\$2.20 E	\$4.14 E	\$10.90 E
2021	-\$1.12 A	\$0.24 E	\$1.74 E	\$3.56 E	\$4.43 E
2020	\$3.08 A	\$2.76 A	\$2.25 A	\$3.83 A	\$11.91 A

*Quarterly figures may not add up to annual.

P/E TTM	26.6
P/E F1	46.4
PEG F1	2.5
P/S TTM	1.7

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/22/2020. The reports text is as of 06/23/2020.

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.

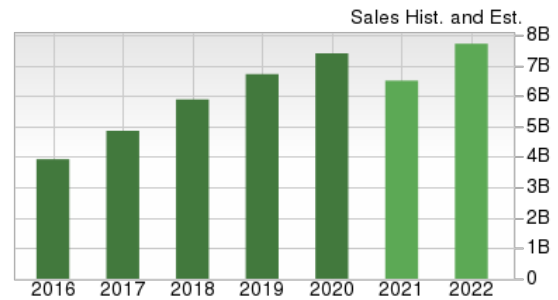
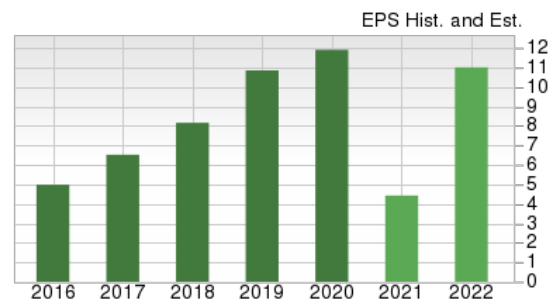
The company offers a wide range of products including cosmetics, fragrance, skincare, hair care, bath and body products, and salon styling tools in stores. It sells more than 25,000 products from about 500 well-established and emerging beauty brands across all categories and price points. We note that 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](https://www.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.

The company ended the first quarter of fiscal 2020 with 1,264 stores. In fiscal 2020, the company intends to open 30-40 stores and undertake nearly three relocation projects.



Reasons To Buy:

▲ **Store Reopening Plans to Aid Stock:** Shares of Ulta Beauty have gained 15.8% in the past three months compared with the industry's rise of 48.2%. Although shares have underperformed the industry, it is likely to witness improved trends in the near term. Notably, Ulta Beauty has started reopening stores and had 333 stores open for visitors and 840 stores offering curbside pickup as of May 28. The company also stated that it is seeing greater-than-expected sales in reopened stores. Management plans to continue reopening stores and extend services in a phased manner, per the regulatory guidelines. While the company temporarily closed all stores on Mar 19 due to the coronavirus outbreak, it kept its important online operations active. In fact, Ulta Beauty operated as a digital-only business for most parts of the first quarter of fiscal 2020 and saw a higher-than-expected jump in e-commerce sales. Management noted that initial sales in the reopened stores reflect solid e-commerce penetration in BOPUS, ship to home and curbside pickup.

Ulta Beauty is gaining from robust omni-channel experience as well as salon services and unique loyalty programs.

Apart from this, the company is curtailing several costs and undertaking strong measures to protect its financial flexibility amid the pandemic. Also, the company is reopening stores with a lot of precautions and safety measures — including maintaining social distancing and enhancing sanitization. These factors are likely to keep customers flowing in.

▲ **Strength in Loyalty Program:** Ulta Beauty's loyalty program has been a key business driver. Despite the store closures, the company's active members for its Ultimate Rewards loyalty program rose 2% to 33.1 million in the first quarter of fiscal 2020. This can be accountable to the company's excellent marketing and merchandising endeavors. Moreover, the credit card program has been yielding well, backed by robust store associate engagement, acquisition campaigns, effective integration into the loyalty calendar and solid support from partners. The company is focused on personalization efforts through relevant product recommendations and replenishment to boost the loyalty program. Markedly, growth in the company's credit card program contributed to the top line in fiscal fourth quarter. In fiscal 2019, Ulta Beauty's number of card holders in its ultimate rewards credit card program jumped 40%, backed by both store and digital teams.

▲ **Omni-channel Growth:** Ulta Beauty is known for its strategy of striking the right balance between online and physical stores. This is probably one of the reasons behind garnering goodwill in a short span. Amid the rising online competition, Ulta Beauty has managed to grow both e-commerce and in-store sales. In first-quarter fiscal 2020, Ulta Beauty opened 11 stores and relocated, ending the quarter with 1,264 stores. Management anticipates opening 30-40 stores in fiscal 2020 alongside undertaking nearly three relocation projects.

The company is undertaking measures to strengthen its omni-channel presence. In fiscal 2019, omnichannel penetration increased and e-commerce sales grew in strong double digits. Further, the company concluded the rollout of the buy online, pickup in store initiative across all stores, refreshed its mobile app and introduced "Afterpay" to ease online purchases. Also on Apr 23, the company launched buy online and pickup curbside at 70 stores in nine states — which is generating solid results. Other than this, Ulta Beauty's store-to-door strategy has been yielding results. Apart from this, the company converted its Romeoville distribution center into a Fast Fulfillment Center. These efforts along with improved productivity in full-service facilities have helped the company speed up e-commerce order processing and ensure seamless and faster deliveries to stores. We note that amid the pandemic, which led Ulta Beauty to temporarily close stores, the company's e-commerce channel remained strong. In fact, e-commerce sales accelerated and more than doubled in the first quarter as the company was operating as a digital-only business.

▲ **Efforts to Boost offerings:** Ulta Beauty has created a niche market on the back of solid mix of beauty products it offers. The company's stores are a one-stop shop for beauty enthusiasts, featuring prestige and discount beauty brands, as well as offering salon products and services, all under one roof. This business model, focused on "All Things Beauty, All in One Place", makes Ulta Beauty a go-to destination for cosmetics and beauty product lovers.

Further, the company remains keen on enhancing beauty products offerings, while also improving store traffic with superior services. In sync with this, the company frequently innovates products to cater to consumers' evolving beauty needs. This is evident from the company's recent alliance with Credo Beauty. Exclusivity, relevance and speed are some of the key elements that Ulta Beauty pays attention to while undertaking efforts to boost merchandise. The company's initiative to be the partner for digitally-native brands like Morphe and Kylie cosmetics are delivering impressive results and driving store traffic. In fiscal 2019, the company widened the distribution of its iconic brands like Mac, Lancome, Clinique and Estee Lauder. Brand launches and rollouts are likely to continue driving the company's top line.

▲ **Strong Skincare Category:** Ulta Beauty has been seeing market share gains in major beauty categories for a while now, with skincare standing out. Skincare recorded the highest growth in fiscal 2019, among all other categories and remained Ulta Beauty's fastest-growing category. During the fiscal, 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. Skincare category also remained well placed in the first quarter of fiscal 2020 despite the pandemic. Though comps fell across all categories after March owing to store closures, skin care rose as a percentage of sales.

▲ **Debt Analysis:** Though Ulta Beauty's long-term debt (including operating lease liabilities) of \$2,548 million as of the end of the first quarter of fiscal 2020 (May 2, 2020), shows an increase of 50% sequentially, the company's debt-to-capitalization ratio is better than the industry. Incidentally, Ulta Beauty's debt-to-capitalization ratio 0.61 stands lower than the industry's ratio of 0.66. Further, the company had cash and cash equivalents of \$1,154 million as of the first-quarter end, while its current debt stood at approximately \$241 million. During the quarter, the company withdrew \$800 million under its revolver facility worth \$1 billion as part of its measures to preserve financial flexibility amid the pandemic.

Reasons To Sell:

- ▼ **Coronavirus-Led Woes Hurt Q1 Results:** Ulta Beauty posted dismal results for first-quarter fiscal 2020, as both top and bottom lines deteriorated year over year and fell short of the Zacks Consensus Estimate. The quarter started on a solid note with higher comparable store sales (comps), market share gains and growth in the Ultimate Rewards loyalty program until mid-March. However, the coronavirus outbreak and its rising spread considerably harmed operations.

Net sales of this beauty retailer slumped 32.7% year over year to \$1,173.2 million and missed the Zacks Consensus Estimate of \$1,199 million. Sales were hurt by coronavirus-led store closures. Comparable sales or comps (including stores temporarily closed due to the pandemic and e-commerce sales) plummeted 35.3% against 7% growth recorded in the prior-year quarter. Further, Ulta Beauty posted an adjusted loss of \$1.12 per share against earnings of \$3.08 reported in the year-ago period. The Zacks Consensus Estimate for earnings stood at 44 cents. The dismal performance can be accountable to lower sales and margins.

- ▼ **High SG&A Costs a Concern:** Ulta Beauty has been struggling against rising selling, general and administrative expenses (SG&A) expenses for a while. This is a limiting factor for the company's operating margin. In first-quarter fiscal 2020, the company posted an operating loss of \$101.5 million against an operating income of \$237.5 million in the year-ago quarter. Notably, SG&A expenses (as a percentage of sales) escalated from 23.1% to 32.5% on account of a deleverage stemming from lower sales due to COVID-19. Pre-opening expenses grew 9.5% to \$4.6 million. Also, gross margin collapsed from 37% to 25.9% due to fixed store cost deleverage, unfavorable channel mix shifts and deleverage of salon costs due to lower sales.

Apart from this, Ulta Beauty's expenses are usually allocated toward increasing store labor and greater spending on growth initiatives and innovation. Further, higher costs of investments toward digital channels, salon services, infrastructure, personalization efforts, brands and initiatives to enhance customer experience may result in higher corporate overheads. This might weigh on the operating margin and affect the company's overall profitability.

- ▼ **Soft Makeup Trends:** The U.S. beauty market has been struggling with soft makeup sales trend, which remains a concern for Ulta Beauty. Makeup has witnessed a number of up and down cycles in the United States. The most recent 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. In its first-quarter earnings call, management stated that it expects challenges in the makeup category to persist in the near term due to increased social distancing, usage of masks and delayed innovations for this year. In the quarter, the share of makeup sales (as a percentage of sales) contracted 400 bps to 49%.
- ▼ **Change in Customer Preferences:** One major concern with consumer-driven industries like the cosmetics and apparel is that the trend changes rapidly. Hence, failure to stay up to date on product mix by continually searching for new products and anchoring new supplier agreements may result in becoming obsolete. Further, new trends like "all-natural" among women (who are the primary customers for the cosmetics industry) may reduce the demand for makeup products, resulting in lower sales for these companies.
- ▼ **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.
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Last Earnings Report

Ulta Beauty Q1 Earnings & Revenues Miss Estimates

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Gross margin collapsed from 37% to 25.9% due to fixed store cost deleverage, unfavorable channel mix shifts and deleverage of salon costs due to lower sales. This was somewhat offset by reduced promotions.

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The company, which had withdrawn its fiscal 2020 guidance on Mar 17, did not offer any earnings guidance at this juncture.

Other Financials

Ulta Beauty ended the quarter with cash and cash equivalents of \$1,043.5 million and total stockholders' equity of approximately \$1,754 million. Net merchandise inventories summed \$1,340.6 million at the end of the quarter, increasing 7.2% from the year-ago period. Average inventory per store rose 1.5% year over year. Net cash used in operating activities was \$24,318 million in the first quarter.

Ulta Beauty bought back 326,970 shares for \$73 million in the reported quarter. The company had shares worth \$1.58 billion outstanding, as of May 2, 2020, under its \$1.6-billion share repurchase plan announced in March 2020. On Apr 2, the company announced that it suspended its buyback program to protect financial position amid the crisis. Moreover, the company has curtailed its capital expenditure plan and now anticipates spending \$200-\$210 million in this regard in fiscal 2020. Apart from this, in the first quarter, the company drew down \$800 million from its credit facility of \$1 billion as a safety measure amid the pandemic.

During the quarter, Ulta Beauty opened 11 stores, relocated one and permanently closed another. The company ended the quarter with 1,264 stores. Owing to the current situation, management has lowered its store opening and relocation plans. It now anticipates opening 30-40 stores in fiscal 2020 alongside undertaking nearly three relocation projects. Earlier, the company expected to open about 75 stores, remodel or relocate roughly 15 and refresh nearly 42.

Update on COVID-19

We note that the company has been taking all steps to ensure the safety of its customers and employees amid the pandemic. In this regard, it temporarily closed all stores on Mar 19, though it kept its important online operations active. The company also furloughed many store and salon workers temporarily on Apr 19. Additionally, it is curtailing several costs and undertaking measures like suspending share buybacks and reducing store openings, among others, to protect its financial flexibility amid the pandemic.

Notably, Ulta Beauty has started reopening stores and has 333 stores open for visitors and 840 stores offering curbside pickup as of today. The company is seeing greater-than-expected sales in reopened stores. Management plans to continue reopening stores and extend services in a phased manner, per the regulatory guidelines. However, the company, which had withdrawn its fiscal 2020 guidance on Mar 17, did not offer any earnings guidance at this juncture.

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Quarter Ending 04/2020

Report Date	May 28, 2020
Sales Surprise	-2.15%
EPS Surprise	-354.55%
Quarterly EPS	-1.12
Annual EPS (TTM)	7.72

Recent News

Ulta Beauty Teams With Credo to Offer Clean Beauty Items – Jun 16, 2020

Ulta Beauty is focused on enhancing its clean beauty business, which is evident from its partnership with Credo Beauty— a leading clean beauty retailer. Per the deal, an exclusive collection of eight clean beauty brands will be available for Ulta Beauty customers, starting this fall.

The assortment, which will be created by clean beauty experts, will include brands like Innersense Organic Beauty, EleVen by Venus Williams x Credo SPF and One Love Organics. Moreover, the company aims to maintain complete transparency with regards to ingredients, sourcing and fragrances of these products. The collection will be made available in 100 Ulta Beauty stores as well as online via Ulta.com.

Ulta Beauty's alliance with Credo is a step closer to propagate the need for sustainable beauty in the cosmetic industry. Also, the company stated that 90% of Gen-Z customers are likely to purchase clean beauty products in the coming year. Therefore, the newly announced partnership with Credo is likely to solidify Ulta Beauty's footing in the clean beauty space.

Ulta Beauty Reopens Stores, Introduces Curbside Pickup – May 7, 2020

With restrictions to check the coronavirus outbreak being lifted, Ulta Beauty announced the reopening of 180 stores in various states. Also, the company has introduced curbside pickup in over 700 locations amid the coronavirus-led crisis.

Ulta Beauty to Furlough Staff in its Fight Against Coronavirus – Apr 8, 2020

Ulta Beauty has tightened its control measures with increasing cases of coronavirus being reported each day. The company has decided to temporarily furlough many of its store and salon associates, effective April 19. During this period, all furloughed associates who are a part of the company's benefit plans will continue to be enrolled in various coverages. Also, these furloughed associates will be eligible to apply for unemployment benefits under the federal CARES Act.

Keeping along these lines, Ulta Beauty's chief executive officer has stepped forward to forgo her base salary for an indefinite period. Further, the company's CEO, board of directors and the executive team members are making personal donations in an attempt to fight coronavirus.

Ulta Beauty had earlier stated that all stores will remain temporarily shut until it is safe to reopen them again. Nonetheless, shoppers can keep purchasing online via Ulta Beauty app or ulta.com. Also, it has been offering a \$2-per-hour wage premium to associates who continue to work in distribution centers to support the e-commerce business amid coronavirus.

In the past, Ulta Beauty which withdrew its recently-provided guidance for fiscal 2020, also stated that it has been undertaking expense-control measures, suspending new recruits along with postponing merit increments for all corporate and store associates. Moreover, Ulta Beauty is reducing various investments and capital expenditures during the coronavirus crisis. Apart from these factors, Ulta Beauty previously drew down \$800 million under its revolving credit facility to increase its financial flexibility amid the coronavirus crisis. Among other moves, Ulta Beauty also suspended its share buyback plans.

Valuation

Ulta Beauty shares are down 18/8% in the year-to-date period and 40.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 7.9% and the Zacks Retail-Wholesale sector are up 12.2% in the year-to-date period. Over the past year, the Zacks sub-industry is down 21.3%, whereas the sector gained 19.2%.

The S&P 500 index is down 3.8% in the year-to-date period and up 5.2% in the past year.

The stock is currently trading at 29.26X forward 12-month earnings, which compares to 23.49X for the Zacks sub-industry, 32.9X for the Zacks sector and 22.22X for the S&P 500 index.

Over the past five years, the stock has traded as high as 42.32X and as low as 9.93X, with a 5-year median of 25.44X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$216 price target reflects 30.76 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	29.26	23.49	32.9	22.22
	5-Year High	42.32	23.49	32.9	22.22
	5-Year Low	9.93	11.59	19.06	15.23
	5-Year Median	25.44	16.08	23.36	17.49
P/S F12M	Current	1.66	1.07	1.13	3.47
	5-Year High	3.5	1.37	1.13	3.47
	5-Year Low	0.91	0.74	0.81	2.53
	5-Year Median	2.43	1.13	0.95	3.02
EV/EBITDA TTM	Current	15.1	15.56	17.8	11.47
	5-Year High	22.33	17.92	17.91	12.85
	5-Year Low	7.43	9.83	11.05	8.25
	5-Year Median	16.35	15.07	12.79	10.83

As of 06/22/2020

Industry Analysis Zacks Industry Rank: Top 25% (64 out of 253)



Top Peers

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

Industry Comparison Industry: Retail - Miscellaneous				Industry Peers		
	ULTA	X Industry	S&P 500	MIK	RGS	SBH
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	D	C	A
Market Cap	11.57 B	1.28 B	21.83 B	1.02 B	298.17 M	1.41 B
# of Analysts	7	5.5	14	4	1	8
Dividend Yield	0.00%	0.12%	1.93%	0.00%	0.00%	0.00%
Value Score	C	-	-	B	B	A
Cash/Price	0.10	0.30	0.07	0.92	0.78	0.27
EV/EBITDA	10.79	8.93	12.63	6.37	67.58	4.55
PEG Ratio	2.54	3.91	2.90	5.49	NA	2.73
Price/Book (P/B)	6.60	1.26	3.01	NA	1.51	NA
Price/Cash Flow (P/CF)	11.90	5.62	11.47	2.27	3.54	3.93
P/E (F1)	46.68	13.63	21.30	6.92	7.09	11.20
Price/Sales (P/S)	1.69	0.35	2.29	0.21	0.35	0.37
Earnings Yield	2.16%	4.28%	4.42%	14.41%	14.10%	8.97%
Debt/Equity	1.45	1.34	0.77	-2.62	5.21	-29.14
Cash Flow (\$/share)	17.27	2.91	7.01	3.06	2.36	3.18
Growth Score	F	-	-	F	F	C
Hist. EPS Growth (3-5 yrs)	22.48%	7.24%	10.84%	6.28%	141.04%	8.20%
Proj. EPS Growth (F1/F0)	-62.84%	-49.52%	-10.80%	-52.49%	-14.49%	-50.66%
Curr. Cash Flow Growth	5.84%	6.68%	5.46%	-14.92%	23.56%	0.84%
Hist. Cash Flow Growth (3-5 yrs)	20.48%	2.61%	8.55%	1.68%	-2.98%	2.83%
Current Ratio	2.49	1.53	1.29	1.20	1.51	1.58
Debt/Capital	59.23%	63.37%	45.14%	NA	83.89%	99.86%
Net Margin	6.37%	3.33%	10.53%	3.59%	-12.08%	5.45%
Return on Equity	24.36%	8.63%	16.06%	-13.67%	14.17%	-491.27%
Sales/Assets	1.36	1.36	0.55	1.22	0.65	1.55
Proj. Sales Growth (F1/F0)	-12.09%	-2.62%	-2.66%	-5.06%	-33.41%	-10.09%
Momentum Score	D	-	-	F	A	A
Daily Price Chg	-3.16%	1.36%	0.09%	1.46%	-2.90%	4.34%
1 Week Price Chg	-6.37%	-0.03%	0.92%	23.47%	-5.69%	-11.07%
4 Week Price Chg	-6.86%	14.86%	5.61%	136.86%	-19.13%	8.70%
12 Week Price Chg	14.35%	54.09%	16.49%	323.17%	32.23%	42.26%
52 Week Price Chg	-40.70%	-0.99%	-6.63%	-18.26%	-52.87%	1.54%
20 Day Average Volume	1,412,835	826,669	2,841,862	8,450,877	826,669	2,054,078
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	16.83%	0.00%
(F1) EPS Est 4 week change	-42.39%	0.00%	0.00%	-25.33%	16.83%	32.74%
(F1) EPS Est 12 week change	-58.73%	-38.70%	-13.25%	-38.65%	-18.06%	-46.06%
(Q1) EPS Est Mthly Chg	-79.00%	0.00%	0.00%	40.91%	-21.21%	72.02%

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 have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	F
Momentum Score	D
VGM Score	F

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

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