Apr 30, 2021

Wolverine World Wide (WWW)

$42.39 (As of 04/29/21)

Price Target (6-12 Months): **$45.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/01/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:A
	Value: B | Growth: A | Momentum: C	

Summary

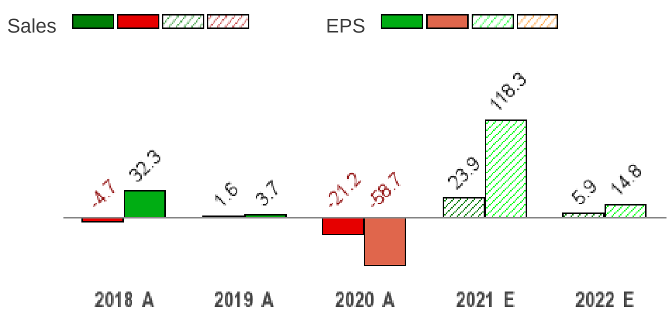
Shares of Wolverine have risen and outperformed the industry in the past three months. The company's strategic efforts including e-commerce expansion have been yielding. Apparently, strength in the company's owned e-commerce business continued in fourth-quarter 2020, growing 31.7% year over year. This aided the company to deliver better-than-expected results in the reported quarter. Strength in the company's brands appears encouraging, and management is optimistic about Saucony and Merell brands going forward. However, the top and bottom lines continued to fall year over year. Moreover, operating margin remained weak in the quarter on higher SG&A expense. Nonetheless, the company issued an upbeat outlook for 2021. Management expects revenues to increase in the band of 22-26% year over year and envisions gross margin to expand.

Price, Consensus & Surprise

Data Overview

52-Week High-Low	**$42.64 - $15.56**
20-Day Average Volume (Shares)	**369,216**
Market Cap	**$3.5 B**
Year-To-Date Price Change	**35.7%**
Beta	**1.83**
Dividend / Dividend Yield	**$0.40 / 0.9%**
Industry	**Shoes and Retail Apparel**
Zacks Industry Rank	**Bottom 30% (174 out of 250)**
Last EPS Surprise	**23.5%**
Last Sales Surprise	**6.4%**
EPS F1 Estimate 4-Week Change	**-0.1%**
Expected Report Date	**05/12/2021**
Earnings ESP	**9.6%**
P/E TTM	**46.1**
P/E F1	**20.9**
PEG F1	**2.1**
P/S TTM	**2.0**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	550 E	585 E	616 E	626 E	2,349 E
2021	508 E	534 E	579 E	598 E	2,219 E
2020	439 A	349 A	493 A	510 A	1,791 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.44 E	$0.49 E	$0.69 E	$0.71 E	$2.33 E
2021	$0.38 E	$0.44 E	$0.63 E	$0.58 E	$2.03 E
2020	$0.28 A	$0.08 A	$0.35 A	$0.21 A	$0.93 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 04/29/2021. The report's text and the analyst-provided price target are as of 04/30/2021.

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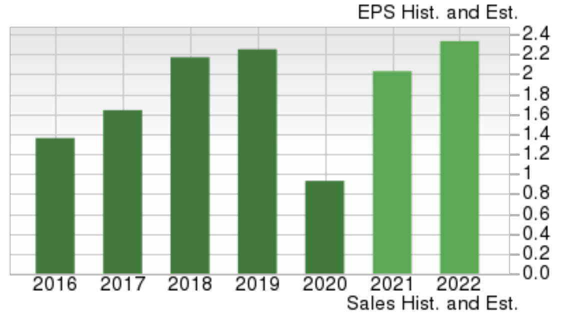
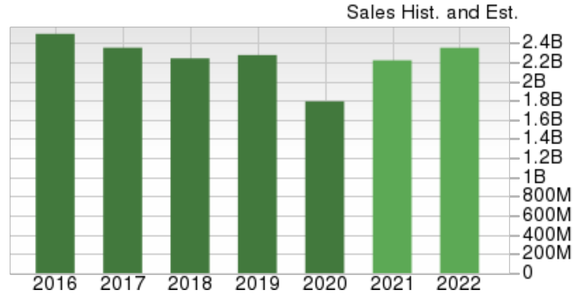
Overview

Headquartered in Michigan, Wolverine World Wide, Inc. is engaged in the designing, manufacturing and distribution of a wide variety of casual as well as active apparel and footwear. The company also manufactures children's footwear and specially designed boots and accessories for industrial purposes.





Wolverine is predominantly renowned for a range of footwear styles and designs of shoes, boots, and sandals under recognized brand names such as Bates, Chaco, Cat, Hush Puppies, Harley-Davidson, Hytest, Keds, Merrell, Saucony, Soft Style, Sperry, Stride Rite, and Wolverine. Non-footwear products of the company mainly include eyewear, watches, gloves, socks, handbags, and plush toys.

We note that the company operates under the Wolverine Michigan Group and Wolverine Boston Group. Wolverine Michigan Group, consists of Merrell footwear and apparel, Wolverine footwear and apparel, Harley-Davidson footwear, Chaco footwear, Cat footwear, Hush Puppies footwear and apparel, Bates uniform footwear and Hytest safety footwear.

Wolverine Boston Group comprises Sperry footwear and apparel, Saucony footwear and apparel, and Keds footwear and apparel. The segment also includes the Kids footwear business, with the Stride Rite licensed business and kids' footwear offerings from brands like Saucony, Keds, Sperry, Merrell and Cat.

Wolverine World Wide's owned operations are carried out in the United States, Canada, the United Kingdom and across certain nations in continental Europe and Asia Pacific. As of Jan 2, 2021, the company's brands are sold in roughly 170 countries and territories.

Further, the company relies on a network of third-party distributors, licensees and joint ventures in Latin America, as well as parts of Europe and Asia Pacific, the Middle East and Africa. As of Jan 2, 2021, it operated 97 retail stores in the United States and Canada, and 37 consumer-direct e-commerce sites.

Reasons To Buy:

> Wolverine has been progressing well on its strategic efforts, including focus on brand empowerment, e-commerce enhancement and international expansion.

▲ **Stock Outperforms, Better-Than-Expected Q4:** Shares of Wolverine have risen 30% in the past three months compared with the industry's 2% decline. The company reported better-than-expected earnings and sales in fourth-quarter 2020. We note that North America was the strongest performer owing to high single-digit growth from Saucony and Merrell. Moreover, the company's owned e-commerce business was the key growth driver in the reported quarter. Markedly, adjusted gross margin expanded 360 basis points (bps) year over year as improved full-price business gross margin lowered closeouts in a higher mix of D2C business, which was partly offset by adverse currency impact.

▲ **Outlook:** Despite pandemic challenges, management believes the positive business trends to improve in 2021. The company will continue seeing strength in brands, including with Saucony and Merrell and especially in performance, athletic, outdoor and work categories. Markedly, the company's global D2C e-commerce business has been pretty strong.

For 2021, management expects revenues in the bracket of $2,190-$2,250 million, suggesting growth of 22-26% year over year. Further, gross margin is likely to be at least 43%, representing growth of 150 bps year over year. Notably, adjusted earnings per share are anticipated in the band of $1.90-$2.05 for the full year. The earnings guidance suggests growth from adjusted earnings per share of 93 cents, and 95 cents at cc in 2020.

▲ **E-commerce Strength:** Amongst Wolverine's sales channels, e-commerce has been the fastest growing and the key growth driver. The company has been utilizing its digital capabilities to enhance speed of information and product flow. Additionally, it focuses on boosting social presence, digital content and flow of information as well as better management of consumer database. In order to support growth in the digital arena, the company is investing toward strengthening of distribution centers. During the fourth quarter of 2020, the company's owned e-commerce business was impressive, registering growth of 31.7% year over year. Brandwise, merrell.com surged nearly 60% in the reported quarter owing to above 70% improvement in new consumer count. Furthermore, saucony.com registered growth of above 65% and the brand's operating margin in this channel expanded more than 800 bps.

In 2020, the company's owned e-commerce revenues surged 50% year over year. Management expects further investment in this area to drive growth of 40% in 2021. Also, the company is focused on mobile via the launch of mobile apps for brands, starting with Merrell later this spring. Management targets accomplishing $500 million in digital revenues in 2021.

▲ **Efforts to Boost Brands & Sourcing:** Wolverine focuses on developing brands that suit consumer needs aptly, on the back of advanced technologies and accurate market insights. Evidently, management had aligned the company's brand group structure to accelerate growth. It integrated the Outdoor & Lifestyle Group and the Heritage Group into a newly formed unit — Wolverine Michigan Group. The company focuses on new launches across different brand banners and brings forward a robust pipeline of new products. Products launched under the Saucony and Merrell banners are likely to drive growth. As part of long-term business growth strategies, the company is also striving to develop efficient sourcing structure and diversify global business.

We note that Saucony revenues rose mid-single digits in the reported quarter, with growth in all key product categories. Looking at 2021, management plans to launch products across Saucony brands at most of its biggest franchises like Kinvara, Guide, Peregrine and Ride franchises as well as expand the Endorphins series in the first half of the year. This brand is likely to continue momentum throughout 2021, projecting growth of about 50% in the first quarter. Further, Merrell brand generated high single-digit growth in North America and anticipated to grow about 20% in the first quarter and even greater in the second quarter and beyond.

Further, Wolverine brand continues benefiting from the U.S. work boot category and the work boot portfolio captured more than 30% market share in 2020. This brand is projected to grow 20% in the first quarter on advanced technology as well as product launches and collaborations. Although Sperry brand has been soft owing to pandemic impacts on consumer soft goods, including the casual footwear market, management expects this brand to revert to double-digit growth in 2021.

▲ **Strong International Presence:** Wolverine's international business comprises of widespread network of global partners, who possess strong insights regarding consumers' interests in their respective market regions. The company's global network is spread across close to 200 nations and territories, with approximately 15,000 controlled points of distribution. Going ahead, the company plans to add greater strategic resources to strengthen its regional teams, especially in the emerging regions of Asia-Pacific. Additionally, Wolverine has been expanding direct control of its European business by acquiring Saucony's Italian distributor to reinforce its market presence and opportunities for the brand. Notably, the Saucony brand will continue advancing integration of its speed roll, design geometry and power run midsole supporting technology. The brand is expected to further leverage the Italian product design and marketing hub for its Originals business, thus developing a key position and success in Italy. Also, the trend-right product will expand into significant markets, including China, the United States and Greater Europe.

▲ **Financial Analysis:** Wolverine ended fourth-quarter 2020 with cash and cash equivalents of $347.4 million, suggesting growth of 1.6% from the preceding quarter. Further, the company's long-term debt at the end of the fourth quarter (as of Jan 2, 2021) stood at $712.5 million, which suggests a dip of 0.2% from the end of the third quarter. We note that the company finished 2020 with $76 million less debt versus last year. It had a total liquidity of $1.1 billion, including about $800 million of revolver capacity. In addition, Wolverine has delivered nearly $173.6 million of cash flow from operations in the fourth quarter. Net cash generated from operating activities were $309.1 million during 2020.

Reasons To Sell:

- **Top & Bottom Lines Continue to Fall Y/Y:** Despite better-than-expected results during the fourth quarter of 2020, earnings and sales continued to decline year over year. Wolverine's fourth-quarter adjusted earnings of 21 cents per share plunged 64.4% from 59 cents earned in the year-ago quarter. On a constant-currency (cc) basis, adjusted earnings were 22 cents per share. Moreover, revenues of $509.6 million fell 16.1% year over year, wider than the drop of 14.1% in the preceding quarter. On a cc basis, revenues declined 16.4%. Top-line results included an $85-million adverse impact from some discrete issues such as lower sales to the company's third-party international distributors, an expected timing shift of various key Saucony product launches and lean inventory for few of its stronger selling product collections. Moreover, the EMEA, Latin America and Asia Pacific regions were hurt by the carryover inventory adjustment.

> Wolverine's top and bottom line continued to fall year over year during the fourth quarter of 2020. In addition, operating margin has been soft over the past few quarters.

- **Soft Operating Margin:** Wolverine continued to report weak operating margin in the fourth quarter of 2020. We note that adjusted operating profit tumbled nearly 45.4% to $33.5 million, with adjusted operating margin contracting 350 bps to 6.6%. This decline can be attributed to higher adjusted selling, general and administrative expenses, which rose 5.2% to $177.4 million. This is mostly owing to the higher mix of D2C revenues, including more than $7 million of increased investment in digital e-commerce marketing. We note that adjusted operating margin shriveled 350 bps, 600 bps and 400 bps, respectively, in the third, second and first quarter of 2020 and 60 bps in the fourth quarter of 2019.

  In 2021, the company's cost structure will reflect significant growth in its D2C e-commerce with increased normalized incentive compensation cost.

- **Stiff Competition & Changing Consumer Preferences:** Wolverine faces intense competition in the footwear and apparel industry from other big guns on several attributes such as style, price, quality, comfort and brand name. Some of these peers have significant financial, technological, manufacturing and marketing advantages that may dent its sales. Moreover, the footwear and apparel industry is highly prone to consumers changing preferences of style and designs. Failure of the company to adapt with such changes may lead to loss of market share for its brands.

- **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearings on spending. The company's customers remain sensitive to macroeconomic factors including interest-rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household-debt levels, which may negatively impact their sentiments. This may adversely impact its growth and profitability.

Last Earnings Report

Wolverine's Q4 Earnings & Sales Top Estimates, Drop Y/Y

Quarter Ending	12/2020
Report Date	Feb 25, 2021
Sales Surprise	6.40%
EPS Surprise	23.53%
Quarterly EPS	0.21
Annual EPS (TTM)	0.92

Wolverine delivered better-than-expected results in fourth-quarter 2020. Adjusted earnings of 21 cents per share outpaced the Zacks Consensus Estimate of 17 cents. However, the metric declined 64.4% from 59 cents earned in the year-ago quarter. On a constant-currency (cc) basis, adjusted earnings were 22 cents per share.

Moreover, revenues of $509.6 million surpassed the Zacks Consensus Estimate of $479 million but fell 16.1% year over year. On a cc basis, revenues declined 16.4%. Top-line results included an $85-million adverse impact from some discrete issues such as lower sales to the company's third-party international distributors, an expected timing shift of various key Saucony product launches and lean inventory for few of its stronger selling product collections. Notably, the company's owned e-commerce business was the key growth driver, up about 31.7%.

We note that North America was the strongest performer owing to high single-digit growth from Saucony and Merrell. However, EMEA, Latin America and Asia Pacific were hurt by the carryover inventory adjustment.

Margins & Costs

Adjusted gross profit amounted to $210.9 million, down 8.3% year over year. However, adjusted gross margin expanded 360 basis points (bps) year over year to 41.4%.

Further, adjusted selling, general and administrative expenses rose 5.2% to $177.4 million. This is mostly owing to the higher mix of D2C revenues, including more than $7 million of increased investment in digital e-commerce marketing. Also, adjusted operating profit tumbled nearly 45.4% to $33.5 million, with adjusted operating margin contracting 350 bps to 6.6%.

Segments & Brands Discussion

Revenues at **Wolverine Michigan Group** decreased 17.1% year over year to $298.5 million. At cc, the segment's revenues dropped 17.3%.

Wolverine Boston Group revenues tumbled 15.6% to $197.6 million from the year-ago quarter. At cc, the segment's revenues dropped 16.1%.

Coming to the company's brand performance, we note that **Saucony** revenues rose mid-single digits, with growth in all key product categories. Also, saucony.com registered growth of above 65% and the brand's operating margin in this channel expanded over 800 bps. Looking at 2021, management plans to launch products across Saucony brands at most of its biggest franchises like Kinvara, Guide, Peregrine and Ride franchises as well as expand the Endorphins series in the first half of 2021. This brand is likely to continue its momentum throughout 2021, expecting growth of about 50% in the first quarter.

Merrell brand's revenues were down low-double digits owing to right-sizing of the inventory position for some of its international partners. The brand generated high single-digit growth in North America with merrell.com rose above 60% fueled by more than 70% growth in new consumers. The brand is anticipated to grow about 20% in the first quarter and even greater in the second quarter and beyond.

Further, **Sperry** brand revenues declined more than 20% in the reported quarter. The pandemic continued to have a profound impact on consumer soft goods, including the casual footwear market, thus putting pressure on majority of Sperry's key retail customers. However, Sperry's full-price business mix was strong, particularly in boots accounting for about 500 bps of gross margin expansion for the brand in the quarter. Management expects this brand to revert to double-digit growth in 2021.

The **Wolverine** brand continues benefiting from the U.S. work boot category and the work boot portfolio captured more than 30% market share in 2020. This brand is projected to grow 20% in the first quarter on advanced technology as well as product launches and collaborations.

Other Financials

The company ended the quarter with cash and cash equivalents of $347.4 million, long-term debt of $712.5 million and stockholders' equity of $573 million. Net inventories at the end of the fourth quarter decreased 30.2% year over year to $243.1 million.

Notably, Wolverine has delivered nearly $173.6 million of cash flow from operations in the fourth quarter. Net cash generated from operating activities were $309.1 million during 2020.

Outlook

Despite these pandemic challenges, management believes the positive business trends will improve in 2021. In 2020, the company's owned e-commerce revenues surged 50% year over year. Management expects further investment in this area to drive growth of 40% in 2021. Management targets accomplishing $500 million in digital revenues in 2021.

Markedly, the company's global D2C e-commerce business has been pretty strong. For 2021, management expects revenues in the bracket of $2,190-$2,250 million, suggesting growth of 22-26% year over year. Gross margin is likely to be at least 43% in spite of increased freight and logistics costs in 2021.

Recent News

Wolverine World Wide Declares Quarterly Dividend – Feb 9, 2021

Wolverine World Wide declared a quarterly cash dividend of 10 cents a share. The dividend is payable on May 3, 2021, to stockholders of record as of Apr 1.

Valuation

Wolverine World Wide shares are up 32% in the year-to-date period and 135.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 7.1% but the Zacks Consumer Discretionary sector is up 0.5%, in the year-to-date period. Over the past year, the sub-industry and the sector are up 47.8% and 58%, respectively.

The S&P 500 index is up 8.2% in the year-to-date period and 54.2% in the past year.

The stock is currently trading at 18.87X forward 12-month earnings, which compares to 30.92X for the Zacks sub-industry, 33.05X for the Zacks sector and 22.97X for the S&P 500 index.

Over the past five years, the stock has traded as high as 19.84X and as low as 5.37X, with a 5-year median of 15.2X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $45 price target reflects 20.03X forward 12-month earnings.

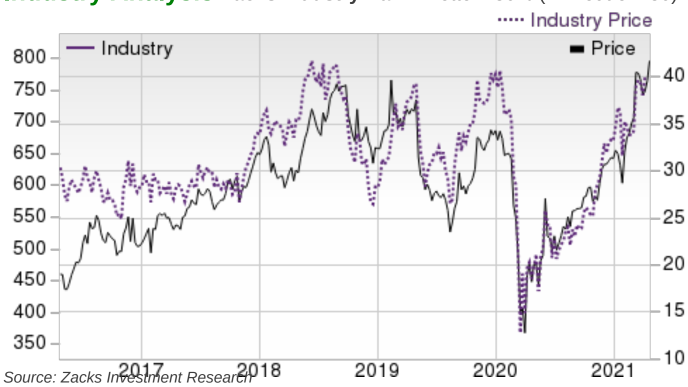
The table below shows summary valuation data for WWW

Valuation Multiples - WWW

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.87	30.92	33.05	22.97
	5-Year High	19.84	36.55	35.39	23.83
	5-Year Low	5.37	18.66	16.24	15.3
	5-Year Median	15.2	24.04	20.28	18.01
P/S F12M	Current	1.47	3.87	2.81	4.82
	5-Year High	1.61	4.15	2.93	4.82
	5-Year Low	0.45	2.03	1.72	3.21
	5-Year Median	1.1	2.69	2.52	3.71
EV/EBITDA TTM	Current	33.7	39.6	14	18.78
	5-Year High	34.62	39.83	17.98	18.8
	5-Year Low	4.11	12.78	8.3	9.62
	5-Year Median	11.87	16.51	12.3	13.37

As of 04/29/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 30% (174 out of 250)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Deckers Outdoor Corporation **(DECK)**	Outperform	2
Caleres, Inc. **(CAL)**	Neutral	3
Rocky Brands, Inc. **(RCKY)**	Neutral	3
Steven Madden, Ltd. **(SHOO)**	Neutral	2
Target Corporation **(TGT)**	Neutral	3
Xtep International Holdings Ltd. **(XTEPY)**	Neutral	2
Carters, Inc. **(CRI)**	Underperform	5
Dollar General Corporation **(DG)**	Underperform	5

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

Industry Comparison Industry: Shoes And Retail Apparel

	WWW	X Industry	S&P 500	DECK	SHOO	XTEPY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	2	2
VGM Score	A	-	-	B	B	C
Market Cap	3.50 B	2.83 B	30.59 B	9.90 B	3.36 B	2.31 B
# of Analysts	6	5	12	6	5	1
Dividend Yield	0.94%	0.00%	1.28%	0.00%	1.48%	1.79%
Value Score	B	-	-	C	C	C
Cash/Price	0.10	0.12	0.05	0.12	0.08	NA
EV/EBITDA	-35.90	11.24	17.18	22.79	44.76	NA
PEG F1	2.06	1.68	2.33	1.15	1.68	NA
P/B	6.07	3.46	4.21	6.51	4.19	2.22
P/CF	31.94	16.67	17.57	31.21	22.41	16.67
P/E F1	20.61	22.89	22.12	24.61	25.16	20.70
P/S TTM	1.95	1.46	3.45	4.19	2.79	NA
Earnings Yield	4.79%	4.38%	4.42%	4.06%	3.97%	4.83%
Debt/Equity	1.24	0.25	0.66	0.02	0.00	NA
Cash Flow ($/share)	1.33	3.91	6.78	11.26	1.81	5.28
Growth Score	A	-	-	A	A	C
Historical EPS Growth (3-5 Years)	3.73%	-5.58%	9.70%	30.67%	-3.46%	NA
Projected EPS Growth (F1/F0)	118.28%	91.40%	17.90%	9.85%	151.56%	51.25%
Current Cash Flow Growth	-52.77%	-15.03%	0.72%	1.85%	-20.87%	4.75%
Historical Cash Flow Growth (3-5 Years)	-11.13%	4.68%	7.37%	8.34%	2.38%	7.03%
Current Ratio	2.23	2.46	1.38	3.25	3.29	NA
Debt/Capital	55.43%	23.64%	41.51%	1.92%	0.00%	NA
Net Margin	-7.67%	0.49%	11.34%	15.48%	1.68%	NA
Return on Equity	10.64%	7.55%	15.46%	28.98%	8.42%	NA
Sales/Assets	0.72	0.96	0.50	1.17	1.06	NA
Projected Sales Growth (F1/F0)	23.88%	13.34%	8.16%	11.62%	33.28%	10.24%
Momentum Score	C	-	-	D	C	A
Daily Price Change	1.41%	0.00%	0.95%	0.50%	1.22%	0.00%
1-Week Price Change	5.39%	0.79%	0.47%	0.79%	6.50%	27.64%
4-Week Price Change	11.64%	6.30%	4.28%	6.30%	9.02%	98.64%
12-Week Price Change	36.26%	14.31%	13.31%	10.88%	14.11%	98.64%
52-Week Price Change	106.88%	73.74%	51.32%	136.18%	61.59%	76.35%
20-Day Average Volume (Shares)	369,216	58,491	1,724,478	189,404	532,859	12
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	1.13%	0.00%
EPS F1 Estimate 4-Week Change	-0.07%	0.00%	0.41%	0.00%	0.52%	10.10%
EPS F1 Estimate 12-Week Change	-1.66%	-0.83%	2.24%	10.80%	-2.03%	13.03%
EPS Q1 Estimate Monthly Change	-6.24%	0.00%	0.33%	0.00%	-18.27%	NA

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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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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.