

## Abbott Laboratories (ABT)

**\$107.79** (As of 12/28/20)

Price Target (6-12 Months): **\$113.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 11/20/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: C

## Summary

Abbott witnessed double digit organic sales growth and high teens EPS growth in the third quarter of 2020. The company has been seeing improvements in testing and procedure volumes across its hospital-based businesses. At the same time, its consumer-facing businesses like diabetes care, nutrition and established pharmaceuticals (EPD), are catching up pace following an initial hiccup witnessed during the first few months of the pandemic. In the third quarter, Abbott launched Libre 2 in the United States and obtained CE Mark for Libre 3. In Europe, the company also launched Libre Sense Glucose Sport. Abbott's third quarter earnings and revenues were better-than-expected. Overall, in the past six months, Abbott has been outperforming the industry. Yet, the company's emerging performance was disappointing particularly in EPD and Nutrition.

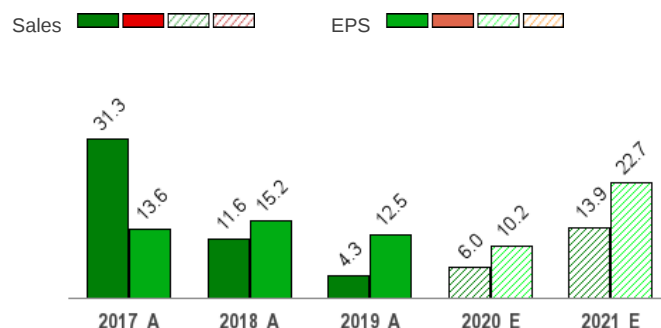
## Price, Consensus & Surprise



## Data Overview

|                                |                                    |
|--------------------------------|------------------------------------|
| 52-Week High-Low               | <b>\$115.14 - \$61.61</b>          |
| 20-Day Average Volume (Shares) | <b>4,513,573</b>                   |
| Market Cap                     | <b>\$191.0 B</b>                   |
| Year-To-Date Price Change      | <b>24.1%</b>                       |
| Beta                           | <b>0.84</b>                        |
| Dividend / Dividend Yield      | <b>\$1.80 / 1.3%</b>               |
| Industry                       | <b>Medical - Products</b>          |
| Zacks Industry Rank            | <b>Bottom 49% (130 out of 255)</b> |

## Sales and EPS Growth Rates (Y/Y %)



|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>8.9%</b>       |
| Last Sales Surprise           | <b>4.7%</b>       |
| EPS F1 Estimate 4-Week Change | <b>0.0%</b>       |
| Expected Report Date          | <b>01/27/2021</b> |
| Earnings ESP                  | <b>1.4%</b>       |
| P/E TTM                       | <b>34.2</b>       |
| P/E F1                        | <b>30.2</b>       |
| PEG F1                        | <b>2.7</b>        |
| P/S TTM                       | <b>5.9</b>        |

## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 9,616 E | 9,596 E | 9,547 E | 9,727 E | 38,550 E |
| 2020 | 7,726 A | 7,328 A | 8,853 A | 9,909 E | 33,833 E |
| 2019 | 7,535 A | 7,979 A | 8,076 A | 8,314 A | 31,904 A |

## EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*  |
|------|----------|----------|----------|----------|----------|
| 2021 | \$1.07 E | \$1.09 E | \$1.09 E | \$1.16 E | \$4.38 E |
| 2020 | \$0.65 A | \$0.57 A | \$0.98 A | \$1.36 E | \$3.57 E |
| 2019 | \$0.63 A | \$0.82 A | \$0.84 A | \$0.95 A | \$3.24 A |

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/28/2020. The reports text is as of 12/29/2020.

## Overview

Abbott Park, IL-based Abbott discovers, develops, manufactures and sells a diversified line of health care products.

**Established Pharmaceuticals Division (EPD)** includes branded generics business in the emerging markets. The division accounted for 14% of total sales in 2019 and registered organic growth of 7.3% from 2018.

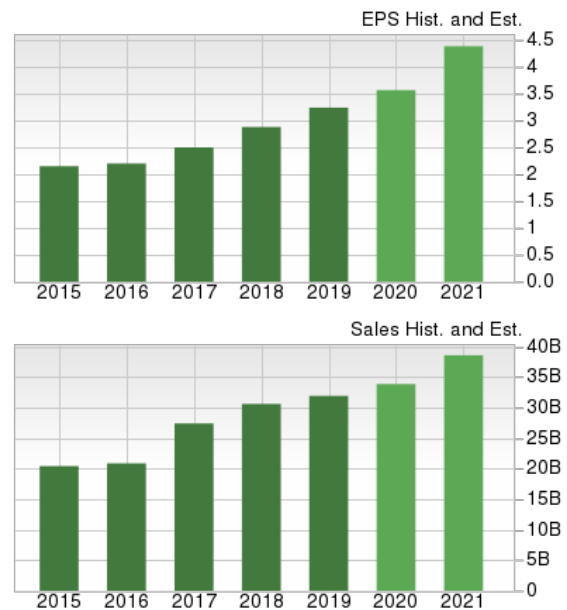
**Medical Devices** includes the diabetes care, vision care and vascular businesses and accounted for 37.6% of total sales in 2019 and reported organic growth of 10.5% from the year-ago number.

**Diagnostics** manufactures and markets diagnostic systems and tests in four business lines – core laboratory, molecular, point of care and rapid diagnostics (reflects sales from Alere, which was acquired on Oct. 3, 2017). The division accounted for 25.3% of total sales in 2019, a 5.9% organic growth from 2018.

**Nutrition** includes a broad line of pediatric and adult nutritional products. The division accounted for 22.9% of total sales in 2019 and registered 5.3% organic growth from the year-ago period.

Abbott has been actively pursuing acquisitions to expand and diversify its portfolio. In 2014, Abbott acquired CFR Pharmaceuticals for \$2.9 billion. In Aug 2015, the company acquired Tendyne Holdings, Inc., In Jan 2017, Abbott acquired St. Jude Medical and in October 2017 the company acquired Alere Inc.

On the other hand, Abbott sold its developed markets branded generics pharmaceuticals business to Mylan in Feb 2015, for 110 million shares of Mylan N.V. Abbott retained the branded generics pharmaceuticals business in emerging markets. Abbott sold its animal health business to Zoetis Inc in Feb 2015. Also the company divested its vision care business, Medical Optics, to Johnson and Johnson for \$4.325 billion in cash.



Source: Zacks Investment Research

---

## Reasons To Buy:

▲ **Share Price Performance:** Over the past six months, Abbott has been outperforming the industry. The stock has gained 17.9% as compared to the industry's 15.1% rise. The company exited the third quarter of 2020 with better-than-expected earnings and revenue numbers. There were double digit organic sales growth and high teens EPS growth in the quarter.

Despite shelter-in-place restrictions across many of its prime business regions, which led to the postponement of elective medical procedures, over the past few months, Abbott has been seeing improvements in both testing and procedure volumes across its hospital-based businesses. At the same time, the company's consumer-facing businesses, which include diabetes care, nutrition and established pharmaceuticals, are catching up pace following an initial hiccup witnessed during the first few months of the pandemic.

Within Nutrition, sales increased 4% in the quarter, led by strong global growth in the company's market leading adult nutrition brand Ensure. Within EPD, despite challenging market conditions across many countries, the company exited the quarter with strong signs of market recovery. Within Medical Devices, the third quarter witnessed steady improvements in demand and procedure trends across the company's portfolio, particularly in electrophysiology, heart failure, structural heart, neuromodulation, and diabetes care. Diabetes care sales grew 25% including over 35% growth in FreeStyle Libre.

Within diagnostics business, sales grew nearly 40% in the quarter banking on strong sales of Abbott's multiple COVID-19 tests across diagnostic testing platforms. The launch of rapid antigen test BinaxNOW also contributed strongly to the quarter's top line.

Based on its performance and momentum through the first nine months of 2020, along with bullish expectations for the remainder of the year, Abbott increased its earnings per share guidance.

▲ **Molecular & Rapid Diagnostics Grow Strong Amid Pandemic:** Abbott is putting a lot of efforts to progress in the area of diagnostic testing for covid-19. Over the first half of the year, Abbott has developed and launched several COVID-19 tests across its testing platform for both laboratory and rapid point-of-care settings. During the third-quarter earnings call, the company noted that it had sold just under \$900 million of COVID-19 testing. Based on this, the company expects fourth-quarter sales run rate to be around \$1.3 billion to \$1.4 billion.

Molecular testing, which detects if someone currently has the virus, has been in high demand during this period. In March, the company launched two COVID-19 tests — the ID NOW COVID-19 molecular test (the fastest available molecular point-of-care test delivering results within 13 minutes and positive results in five minutes) and the RealTime SARS-CoV-2 molecular test, which runs on Abbott's m2000 RealTime System located in hospitals and reference laboratories.

In addition to molecular testing during this period, the company also anticipated increased demand for other types of tests, including both antigen and antibody. In October, the company received EUA for the its AdviseDx SARS-CoV-2 IgM (Immunoglobulin M) lab-based serology test for use on the ARCHITECT and Alinity platforms. In the third quarter, the company launched BinaxNOW rapid antigen test which can detect COVID-19 infection in just 15 minutes with no instrument required. Earlier in April, the company rolled out its serology blood test for the detection of the antibody, IgG, on its lab-based immunoassay testing platforms.

▲ **EPD Business Long-Term Prospects Bright:** Abbott's EPD business operates solely in emerging geographies, with leading positions in many of the largest and fastest growing pharmaceutical markets for branded generics in the world. These markets include India, Russia, China and Latin America. The company recently noted that, banking on successful execution of its Branded Generic operating model, EPD is well positioned for sustained growth in many of these growing pharmaceutical markets.

According to Abbott, its unique branded generics model was built to focus specifically on key emerging countries where long-term growth in medicines is guaranteed by the aging populations and the related rise in chronic diseases. We believe, Abbott's continued focus on enhancing local capabilities and expanding its product portfolio within core therapeutic areas targeted specifically to address local market needs will further strengthen its position in these markets.

▲ **Progress With Diabetes Business:** This business achieved growth of nearly 25% in the reported quarter banking on the solid worldwide adoption of FreeStyle Libre. This device alone registered global sales surge of 35% on an organic basis. The company encouragingly noted that, in a relatively short span, Libre has achieved global leadership among CGM systems for both Type 1 and Type 2 users. In the third quarter, the company launched Libre 2 in the United States which is an integrated continuous glucose monitoring (iCGM) system for adults and children. So far, the customer feedback has been overwhelmingly positive. It has also obtained CE Mark for Libre 3, which integrates Libre's accuracy and performance into the world's smallest fitness disposable sensor. In Europe, the company also launched Libre Sense Glucose Sport, which is its initial step in a very intentional approach to pursue mass market biosensor opportunities beyond diabetes.

The branded generics and international diabetes businesses should drive growth in the coming quarters. New product launches and acquisitions should boost sales further.

---

## Reasons To Sell:

▼ **Coronavirus Puts Emerging Market EPD, Nutrition Arms Into Gloom:** Within EPD, sales declined 3% in the the third quarter on challenging market conditions in several countries due to the pandemic. The company witnessed it hitting emerging markets, particularly in markets like India, Russia and some markets in Latin America more significantly compared to the second quarter, which lowered market demand. Within Paeditric Nutrition, internationally, growth in Southeast Asia was offset by continued challenging conditions in Greater China.

▼ **Tension in China Continues:** Abbott, though trying to expand its nutrition business in emerging markets, is facing weaknesses in Greater China on challenging market dynamics. Especially, in pediatric nutrition, the company is apprehensive about the new food safety regulations and a consequent oversupply of product in the market. Outside of China, the company is witnessing soft market conditions across a few international markets. This may continue hurting the top line in the upcoming quarter as well.

This apart, we are also worried about the ongoing tensions between the United States and China regarding the imposition of tariffs on imports. This has raised concerns for major MedTech players like Abbott as any adverse move may affect their sales performance in China in near term.

▼ **Weak Rhythm Management Sales Ail:** Within Rhythm Management, during the third quarter, sales in the United States as well as the rest of the world were soft and declined 6.4% year over year organically. Worldwide sales growth was negatively impacted by reduced procedure volumes due to COVID-19. Although, Abbott is coming up with certain strategic measurements including organizational changes and new product innovations, the near-term outlook is bleak.

▼ **Foreign Exchange Translation Impacts Sales:** Foreign exchange is a major headwind for Abbott due to considerable percentage of its revenues coming from outside the U.S. The strengthening of Euro and some other developed market currencies has been constantly hampering the company's performance in the international markets.

---

The business environment continues to be challenging. Slow growth in the nutrition business in China will continue dampening top-line growth.

---

## Last Earnings Report

### Abbott Posts Q3 Earnings Beat, Reports Y/Y Improvement

Abbott reported third-quarter 2020 adjusted earnings from continuing operations of 98 cents per share, which exceeded the Zacks Consensus Estimate by 8.9%. The adjusted figure improved 16.7% from the prior-year quarter.

The quarter's adjustments include certain non-recurring intangible amortization expense and other expense primarily associated with acquisitions and restructuring actions among others.

Reported earnings from continuing operations came in at 69 cents, reflecting 30.2% rise year on year.

Third-quarter worldwide sales of \$8.85 billion were up 9.6% year over year on a reported basis. The top line surpassed the Zacks Consensus Estimate by 4.7%. On an organic basis (adjusting for the impact of foreign exchange), sales improved 10.6% year over year in the reported quarter.

### Quarter in Detail

Abbott operates through four segments — EPD, Medical Devices, Nutrition, and Diagnostics.

In the third quarter, **EPD** sales declined 9.3% on a reported basis (down 3.3% on an organic basis) to \$1.09 billion. Organic sales in key emerging markets dropped 1.8%, year over year due to market softness across several countries as a result of the spread of COVID-19.

**Medical Devices** business sales improved 3.4% on a reported basis to \$3.17 billion. On an organic basis, sales improved 2.6%. Barring Rhythm Management and Vascular, all other sub segments reported organic revenues growth in the quarter. According to the company, cardiovascular and neuromodulation sales growth and procedure volumes improved significantly as demand returned to more normalized levels.

In Diabetes Care, the company registered 25.2% organic growth, banking on solid worldwide adoption of FreeStyle Libre. This device alone registered global sales growth of 35.6% on an organic basis.

**Nutrition** sales were up 2.6% year over year on a reported basis (up 4.1% on an organic basis), to \$1.92 billion. Pediatric Nutrition sales declined 2.5% on an organic basis. Adult Nutrition sales improved 12.4% organically. According to the company, Adult Nutrition sales benefited from improved U.S. and international sales performance of Ensure, Abbott's market-leading complete and balanced nutrition brand. In Pediatric Nutrition, however, U.S. growth of Pedialyte and growth in Southeast Asia were offset by challenging conditions in Greater China.

**Diagnostics** sales were up 38.2%, year over year on a reported basis (up 38.8% on an organic basis) to \$2.64 billion. Core Laboratory Diagnostics sales were up 0.8% on an organic basis. Molecular Diagnostics surged 313.6% on an organic basis. Rapid Diagnostics sales too improved 83% on an organic basis in the September-end quarter. However, Point of Care Diagnostics sales declined 9.7% on an organic basis.

### 2020 Guidance

The company updated its earnings guidance for 2020.

The company now projects adjusted earnings per share from continuing operations to be at least \$3.55 for 2020 (earlier the expectation was \$3.35 per share). The current Zacks Consensus Estimate is pegged at \$3.30.

Quarter Ending **09/2020**

| Report Date      | Oct 21, 2020 |
|------------------|--------------|
| Sales Surprise   | <b>4.67%</b> |
| EPS Surprise     | <b>8.89%</b> |
| Quarterly EPS    | <b>0.98</b>  |
| Annual EPS (TTM) | <b>3.15</b>  |

## Recent News

### First Infant Formula With Identical Ingredient as in Breast Milk Launched by Abbott: Nov 17, 2020

Abbott launched Similac Pro-Advance with 2-Fucosyllactose Oligosaccharide (2-FL) in Canada, its most innovative infant formula till date containing ingredients identical in structure to immune component found in breast milk.

### Abbott Launches Radiofrequency Ablation Device in U.S.: Nov 10, 2020

Abbott announced the U.S. launch of its IonicRF Generator, which is a radiofrequency ablation device that uses heat to target specific nerves in order to block pain signals from reaching the brain.

### Abbott Launches Latest 3D Cardiac Mapping Platform in Europe and Australia: Nov 2, 2020

Abbott announced the receipt of the CE Mark and approval in Europe and Australia, respectively, for its new EnSite X EP System and is launching the system throughout the regions.

### EUA for COVID-19 IgM Antibody Blood Test: Oct 12, 2020

Abbott's AdviseDx SARS-CoV-2 IgM (Immunoglobulin M) lab-based serology test for use on the ARCHITECT and Alinity platforms received the FDA's Emergency Use Authorization (EUA).

### Favorable ID NOW COVID-19 Interim Clinical Study Results: Oct 7, 2020

Abbott has shared its new interim clinical data results on its ID NOW COVID-19 rapid test. The results confirmed the data submitted to the FDA in March for EUA and the interim results that the company shared in May.

### CE Mark for FreeStyle Libre 3 System: Sep 28, 2020

Abbott's next-generation FreeStyle Libre 3 system received CE Mark for use by people living with diabetes in Europe. It provides continuous, real-time glucose readings automatically delivered to smartphones every minute, offering unsurpassed 14-day accuracy in the smallest and thinnest sensor design at the same affordable price as previous versions of the device.

### CE Mark for MitraClip G4: Sep 21, 2020

Abbott's fourth-generation MitraClip Transcatheter Mitral Valve Repair System (MitraClip G4), its minimally invasive mitral valve repair device in the world received CE Mark as a non-surgical option for the treatment of mitral regurgitation (MR) or a leaky heart valve.

### FreeStyle Libre 2 iCGM System Available Under Medicare: Sep 1, 2020

Abbott's next-generation FreeStyle Libre 2 iCGM system is now available to Medicare patients.

## Valuation

Abbott shares are up 24.1% and up 24.2% in the year to date period and the trailing 12-month period, respectively. Stocks in the Zacks sub-industry are up 4.5% while the Zacks Medical sector is up 5.3% in the year to date period. Over the past year, the Zacks sub-industry is up 4.3% and sector is up 4.3%.

The S&P 500 index is up 18% in the year to date period and up 18.3% in the past year.

The stock is currently trading at 24.6X Forward 12-months earnings, which compares to 25.7X for the Zacks sub-industry, 22.3X for the Zacks sector and 23.1X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.9X and as low as 15.6X, with a 5-year median of 20.8X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$113 price target reflects 25.8X forward 12-months earnings.

The table below shows summary valuation data for ABT.

| Valuation Multiples - ABT |               |       |              |        |         |
|---------------------------|---------------|-------|--------------|--------|---------|
|                           |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F 12M                 | Current       | 24.62 | 25.70        | 22.27  | 23.07   |
|                           | 5-Year High   | 32.96 | 31.03        | 22.90  | 23.79   |
|                           | 5-Year Low    | 15.56 | 17.09        | 15.89  | 15.30   |
|                           | 5-Year Median | 20.81 | 20.97        | 19.00  | 17.81   |
|                           |               |       |              |        |         |
| P/S F12M                  | Current       | 4.96  | 3.89         | 2.84   | 4.38    |
|                           | 5-Year High   | 5.61  | 3.98         | 3.16   | 4.38    |
|                           | 5-Year Low    | 2.51  | 2.90         | 2.26   | 3.17    |
|                           | 5-Year Median | 3.50  | 3.35         | 2.84   | 3.67    |
|                           |               |       |              |        |         |
| P/B TTM                   | Current       | 6.05  | 3.44         | 4.53   | 6.43    |
|                           | 5-Year High   | 6.42  | 3.62         | 5.10   | 6.43    |
|                           | 5-Year Low    | 2.24  | 2.28         | 2.02   | 2.74    |

---

|                  |               |                                   |      |      |      |
|------------------|---------------|-----------------------------------|------|------|------|
|                  | 5-Year Low    | 2.34                              | 2.28 | 3.02 | 3.14 |
|                  | 5-Year Median | 3.69                              | 2.93 | 4.34 | 4.93 |
| As of 12/28/2020 |               | Source: Zacks Investment Research |      |      |      |

---

## Industry Analysis Zacks Industry Rank: Bottom 49% (130 out of 255)



Source: Zacks Investment Research

## Top Peers

| Company (Ticker)                    | Rec        | Rank |
|-------------------------------------|------------|------|
| BioRad Laboratories, Inc. (BIO)     | Outperform | 2    |
| Hologic, Inc. (HOLX)                | Outperform | 1    |
| Boston Scientific Corporation (BSX) | Neutral    | 3    |
| Cardiovascular Systems, Inc. (CSII) | Neutral    | 3    |
| DexCom, Inc. (DXCM)                 | Neutral    | 3    |
| Johnson & Johnson (JNJ)             | Neutral    | 3    |
| Medtronic PLC (MDT)                 | Neutral    | 3    |
| Smith & Nephew SNATS, Inc. (SNN)    | Neutral    | 4    |

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

| Industry Comparison Industry: Medical - Products |           |            |           | Industry Peers |            |           |
|--------------------------------------------------|-----------|------------|-----------|----------------|------------|-----------|
|                                                  | ABT       | X Industry | S&P 500   | BAX            | BSX        | MDT       |
| Zacks Recommendation (Long Term)                 | Neutral   | -          | -         | Neutral        | Neutral    | Neutral   |
| Zacks Rank (Short Term)                          | 3         | -          | -         | 3              | 3          | 3         |
| VGM Score                                        | C         | -          | -         | C              | D          | F         |
| Market Cap                                       | 191.04 B  | 481.50 M   | 26.16 B   | 40.49 B        | 50.00 B    | 154.97 B  |
| # of Analysts                                    | 9         | 3          | 13        | 11             | 12         | 14        |
| Dividend Yield                                   | 1.34%     | 0.00%      | 1.48%     | 1.24%          | 0.00%      | 2.02%     |
| Value Score                                      | C         | -          | -         | C              | C          | C         |
| Cash/Price                                       | 0.02      | 0.11       | 0.06      | 0.11           | 0.04       | 0.09      |
| EV/EBITDA                                        | 26.37     | -0.32      | 14.71     | 22.51          | 25.18      | 21.34     |
| PEG F1                                           | 2.75      | 3.62       | 2.81      | 2.82           | 3.32       | 3.78      |
| P/B                                              | 6.05      | 3.59       | 3.65      | 4.71           | 3.21       | 3.08      |
| P/CF                                             | 21.60     | 21.38      | 13.91     | 15.95          | 14.53      | 17.40     |
| P/E F1                                           | 30.40     | 38.75      | 22.17     | 26.06          | 33.20      | 27.43     |
| P/S TTM                                          | 5.93      | 5.85       | 2.84      | 3.51           | 4.95       | 5.56      |
| Earnings Yield                                   | 3.31%     | 0.25%      | 4.37%     | 3.84%          | 3.01%      | 3.65%     |
| Debt/Equity                                      | 0.58      | 0.08       | 0.70      | 0.67           | 0.60       | 0.52      |
| Cash Flow (\$/share)                             | 4.99      | 0.00       | 6.93      | 4.97           | 2.40       | 6.62      |
| Growth Score                                     | C         | -          | -         | C              | C          | D         |
| Historical EPS Growth (3-5 Years)                | 10.86%    | 8.58%      | 9.71%     | 12.89%         | 8.58%      | 1.02%     |
| Projected EPS Growth (F1/F0)                     | 10.05%    | 9.68%      | 1.26%     | -8.10%         | -33.44%    | -8.58%    |
| Current Cash Flow Growth                         | 4.54%     | 6.00%      | 5.23%     | 4.10%          | 12.08%     | -9.02%    |
| Historical Cash Flow Growth (3-5 Years)          | 11.80%    | 8.08%      | 8.33%     | -6.10%         | 10.33%     | 7.68%     |
| Current Ratio                                    | 1.70      | 3.13       | 1.38      | 2.64           | 1.87       | 2.16      |
| Debt/Capital                                     | 36.74%    | 13.15%     | 41.97%    | 40.11%         | 37.47%     | 34.04%    |
| Net Margin                                       | 10.50%    | -18.30%    | 10.40%    | 7.90%          | 36.59%     | 12.69%    |
| Return on Equity                                 | 18.19%    | -3.51%     | 14.99%    | 20.81%         | 11.54%     | 9.71%     |
| Sales/Assets                                     | 0.47      | 0.52       | 0.50      | 0.60           | 0.33       | 0.30      |
| Projected Sales Growth (F1/F0)                   | 6.05%     | 0.00%      | 0.35%     | 1.49%          | -6.10%     | 4.03%     |
| Momentum Score                                   | C         | -          | -         | D              | F          | F         |
| Daily Price Change                               | -0.52%    | -0.06%     | 0.26%     | -0.41%         | 0.95%      | 0.96%     |
| 1-Week Price Change                              | -0.57%    | 0.00%      | -0.44%    | -1.57%         | -2.43%     | -2.30%    |
| 4-Week Price Change                              | -0.40%    | 2.96%      | 2.25%     | 4.19%          | 5.34%      | 1.26%     |
| 12-Week Price Change                             | -0.71%    | 11.44%     | 12.66%    | -1.63%         | -11.01%    | 11.01%    |
| 52-Week Price Change                             | 24.18%    | 12.16%     | 6.46%     | -5.00%         | -22.38%    | 1.95%     |
| 20-Day Average Volume (Shares)                   | 4,513,573 | 256,253    | 1,838,365 | 3,001,176      | 13,459,702 | 4,135,683 |
| EPS F1 Estimate 1-Week Change                    | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%      | 0.00%     |
| EPS F1 Estimate 4-Week Change                    | 0.00%     | 0.00%      | 0.00%     | 0.00%          | -1.33%     | -0.19%    |
| EPS F1 Estimate 12-Week Change                   | 8.94%     | 6.40%      | 3.72%     | -0.36%         | 7.31%      | 6.39%     |
| EPS Q1 Estimate Monthly Change                   | -0.08%    | 0.00%      | 0.00%     | 0.00%          | -5.16%     | -0.47%    |

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    | C |
| Growth Score   | C |
| Momentum Score | C |
| VGM Score      | C |

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

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

---

## 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 forward-looking 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 medium-term 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 most recent 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.