ZACKS | Our Research. Your Success.

Sep 04, 2020

# Assurant Inc.(AIZ)

**$124.10** (As of 09/03/20)

Price Target (6-12 Months): **$128.00**

| | | |
|---|---|---|
| Long Term: 6-12 Months | **Zacks Recommendation:** (Since: 02/17/19) Prior Recommendation: Underperform | **Neutral** |
| Short Term: 1-3 Months | **Zacks Rank:** (1-5) | **2-Buy** |
| | Zacks Style Scores: | VGM:B |
| | Value: A \| Growth: C | Momentum: F |

## Summary

Shares of Assurant have outperformed the industry in a year's time. The company's focus on Specialty Property and Casualty and Lifestyle Protection bodes well for growth. Strong franchise, consistent cash flow generation, robust solutions segment poise it well for growth. It plans to deploy capital, mainly to fund business growth, finance other investments and return capital to shareholders via share buybacks and dividends. For 2020, it expects earnings per share, excluding cat loss, to grow 12% to 16%. However, Global Housing is persistently weighed on by lower mortgage originations as well as the ongoing lender-placed insurance normalization. Exposure to cat loss induces earnings volatility. Also, escalating expenses due to higher administrative expenses tends to weigh on margins and high debt level raises financial risk for the company.

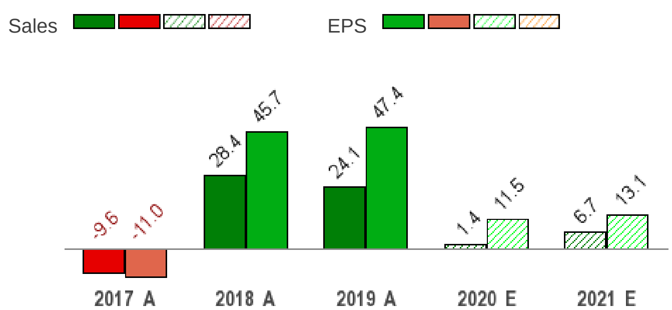
## Price, Consensus & Surprise


Source: Zacks Investment Research

## Data Overview

| | |
|---|---|
| 52-Week High-Low | **$142.61 - $76.27** |
| 20-Day Average Volume (Shares) | **322,952** |
| Market Cap | **$7.3 B** |
| Year-To-Date Price Change | **-6.9%** |
| Beta | **0.62** |
| Dividend / Dividend Yield | **$2.52 / 2.1%** |
| Industry | **Insurance - Multi line** |
| Zacks Industry Rank | **Bottom 30% (175 out of 251)** |
| Last EPS Surprise | **23.3%** |
| Last Sales Surprise | **-5.1%** |
| EPS F1 Estimate 4-Week Change | **-9.3%** |
| Expected Report Date | **11/03/2020** |
| Earnings ESP | **-3.3%** |
| P/E TTM | **13.1** |
| P/E F1 | **13.0** |
| PEG F1 | **NA** |
| P/S TTM | **0.7** |

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




## Sales Estimates (millions of $)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | 2,667 E | 2,597 E | 2,585 E | 2,716 E | 10,824 E |
| 2020 | 2,657 A | 2,445 A | 2,432 E | 2,545 E | 10,142 E |
| 2019 | 2,399 A | 2,523 A | 2,480 A | 2,604 A | 10,006 A |

## EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|---|---|---|---|---|---|
| 2021 | $2.83 E | $2.77 E | $2.35 E | $2.83 E | $10.78 E |
| 2020 | $2.64 A | $2.75 A | $1.83 E | $2.31 E | $9.53 E |
| 2019 | $2.21 A | $2.34 A | $1.69 A | $2.25 A | $8.55 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 09/03/2020. The reports text is as of 09/04/2020.

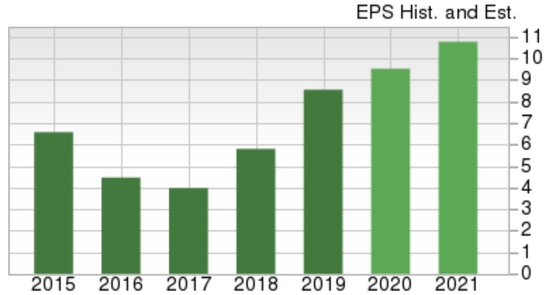
## Overview

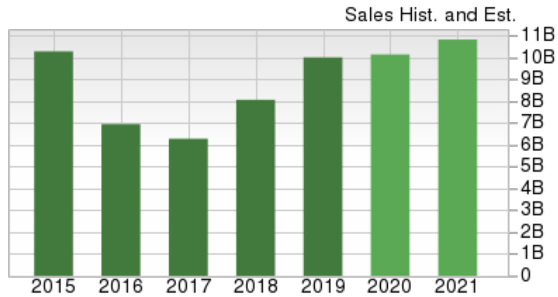
Founded in 1969 and headquartered in New York, Assurant Inc. is a global provider of risk management solutions in the housing and lifestyle markets, protecting where people live and the goods they buy. The company operates in North America, Latin America, Europe and Asia Pacific. Assurant was incorporated as a Delaware corporation in 2004.
The company reports through three reportable segments: **Global Lifestyle, Global Housing and Global Preneed**.

**Global Lifestyle segment (58% of 2019 operating earnings) )** provides mobile device protection products and related services and extended service products and related services for consumer electronics and appliances (referred to as Connected Living); vehicle protection and related services (referred to as Global Automotive); and credit and other insurance products (referred to as Global Financial Services).

Global Lifestyle operates globally, with about 75% of its revenues from North America, 11% from Latin America, 10% from Europe and 4% from Asia Pacific in 2018.

**Global Housing segment (36%)** provides lender-placed homeowners insurance, lender-placed manufactured housing insurance, lender-placed flood insurance; and renters insurance and related products (referred to as Multifamily Housing), as well as voluntary manufactured housing and other insurance.




On Aug 1, 2018, Assurant sold its Mortgage Solutions business, which comprised property inspection and preservation, valuation and title services and other property risk management services.

**Global Preneed segment (6%)** provides pre-funded funeral insurance and annuity products in Canada and the United States. Pre-funded funeral insurance provides whole life insurance or annuity death benefits to fund the costs associated with pre-arranged funerals, which are planned and paid for in advance of death. The pre-funded funeral insurance products are typically structured as whole life insurance policies in the United States and offer limited pay (Preneed) or pay for life (Final Need) options. In Canada, pre-funded funeral insurance products are typically structured as limited pay annuity contracts. Product choices are based on the health and financial situation of the customer and the distribution channel.


*Source: Zacks Investment Research*

## Reasons To Buy:

Strong performing Global LIfestyle business, growing Service business, solid capital management should drive growth at the company.

- The company's Global Lifestyle segment has been putting up an impressive performance, reflected by its 'net premium and fee and other income' CAGR of 24.2% from 2016 to 2019. In the first half of 2020, net earned premiums, fees and others rose 6% year over year. The company has adopted inorganic and organic growth strategies to boost this segment. The acquisition of The Warranty Group in May 2018 strengthened its position as an industry-leading lifestyle provider, having substantial operating synergies in a more predictable and expanded earnings stream. Buyout of American Financial & Automotive Services in April 2020 should help fortify market position and add scale. In the first half of 2020, net operating income of $242.7 million improved 16% year over year, driven primarily by mobile from continued subscriber growth in North America and Asia Pacific and higher average selling prices on trade-in devices. Global Automotive also contributed to the increase, including a discrete client benefit. For 2020, the company expects growth in Lifestyle's net operating income. However, it estimates earnings in the second half of the year to be lower than the first half. Claims activity in Connected Living and auto normalizing at higher levels, adverse forex, and lower investment income, among others, are expected to weigh on earnings.

- Pre-need is another important business for Assurant Solutions and remains a solid performer. The company remains focused on ramping up the Connected Living platform, deploying innovative products and services and adding new partnerships with leading brands like Comcast, Apple and KDDI in Japan. These initiatives are expected to double the margins in Connected Living to 8% over the long term. In the first half of 2020, net earned premiums, fees and others at Global Preneed rose 5% year over year to $103.7 million, primarily driven by prior period sales of the Final Need product and growth in pre-funded funeral policies. The company expects Global Preneed's earnings to increase modestly in 2020 from 2019.

  The company expects earnings of Global Preneed to increase in the second half of 2020 compared to the first half of the year owing to more favorable mortality trends. The company estimates the reduction in mortality to be partially offset by investment income declines.

- The company is also focused on growing the fee-based capital-light businesses that presently consist of 52% segmental revenues. Management estimates the contribution to continue growing in double digits over the longer term.

- Assurant has a strong capital management policy in place. Traditionally, the company has been utilizing 50% of its free cash flow to repurchase shares. A solid capital position supports effective capital deployment. In November 2019, the board of directors also approved a dividend hike of 5%, reflecting a six-year (2014-2020) CAGR of 16.6%. Also, it has $403 million remaining under its current share buyback authorization. In 2020, the company plans to deploy capital, mainly to fund business growth, finance other investments and return capital to shareholders via share repurchases and dividends.

  Given the attractiveness of stock and strong capital position, the company expects to resume share repurchases in the third quarter and also projects to reach the objective of returning $1.35 billion of capital to shareholders between 2019 and 2021.

- Shares of Assurant have outperformed the industry in the past year. Shares have lost 1.5% compared to the industry's decline of 16.4% in a year's time. We expect strong segmental performance along with a robust capital position to continue driving the stock in the near term.

## Reasons To Sell:

- Revenues at Global Housing have been declining since 2017, which continued through 2019. This decline has been mainly due to decreasing premiums from Lender-placed insurance. In the first half of 2020 too, revenues declined 2.5%. With respect to the lender-placed market, placement rates have decreased as the housing market has improved resulting in lower net earned premiums. For 2020, Assurant expects net operating income, excluding catastrophes, of Global Housing to increase from 2019, owing to improved results in specialty businesses and growth in multifamily housing. It also estimates the results of Global Housing for the second half of 2020 to be not on par with the first half. This is because it projects normalized level of claims frequency, reduced real estate owned (REO) volumes, absence of income from the financially insolvent client in lender-placed and lower investment income due to the lower yields available in the current interest rate environment.

Global Housing is witnessing lower mortgage originations and drop in real estate owned volumes and declining placement rates, curbing growth. High debt, rising expenses are other headwinds.

- Assurant has been experiencing an increase in policyholder benefits, underwriting, general and administrative expenses and interest expense. Underwriting, general and administrative expenses consist of commissions, premium taxes, licenses, fees, general operating expenses and income taxes. Expenses increased at a two-year (2017 -2019) CAGR of 26.4%. In the first half of 2020, total benefits, loss and expenses grew 2.6% year over year to $4.7 billion due to an increase in selling, underwriting, general and administrative expenses. An increase in expenses weighs on the company's margins. Net margin contracted 10 bps year over year to 4% in the first quarter of 2020.

- The company has been witnessing increase in net investment income over the past few years. However, it decreased 8.5% year over year to $293.2 million in the first half of 2020. Investment yield on total investment portfolio dropped by 51 basis points year over year to 3.83% due to a decline in short-term cash yields. The company expects lower investment income to remain a headwind in the second half of the year due to lower yields available in the current interest rate environment.

- The company's debt-to-capital ratio has gone up from 24 in 2014 to 36 in 2019. The company's debt levels have been increasing over the past few years. As of Jun 30, 2020, debt increased 10% to $2.2 billion from the 2019-end level, with debt to capital ratio of 26.9% deteriorating 10 basis points from 2019 level. The company's cash and cash equivalents of $2 billion as of Jun 30, 2020 are not sufficient to meet its debt obligations. The company's times interest earned of 5.5 as on Jun 30, 2020 was poor when compared with the 2019-end figure of 6, implying that its earnings are not sufficient to cover interest obligations. The company's increased debt level and reduced interest servicing capability raise financial risk.

## Last Earnings Report

**Assurant Q2 Earnings Beat Estimates, Revenues Down Y/Y**

| Quarter Ending | 06/2020 |
|---|---|
| Report Date | Aug 04, 2020 |
| Sales Surprise | -5.13% |
| EPS Surprise | 23.32% |
| Quarterly EPS | 2.75 |
| Annual EPS (TTM) | 9.33 |

Assurant, Inc. reported second-quarter 2020 net operating income of $2.75 per share, which outpaced the Zacks Consensus Estimate by 23.3%. The bottom line also improved 18% from the year-ago quarter.

The results reflect persistent growth in mobile subscribers within Global Lifestyle and favorable non-catastrophe loss experience across major products of Global Housing. Further, the company benefited from several expense management initiatives and reduced discretionary spending due to the COVID-19 pandemic, which was partially offset by softer investment income.

However, total revenues declined 3.1% year over year to $2.4 billion, mainly due to lower fees and other income and weaker net investment income. Moreover, the top line missed the Zacks Consensus Estimate by 5.1%.

Net investment income plunged 11% year over year to $137.2 million, primarily owing to reduced yields at each operating segment. Nevertheless, total benefits, loss and expenses declined 5% to $2.2 billion, mainly on account of a decline in policyholder benefits and selling, underwriting, general and administrative expenses.

### Segmental Performance

Net earned premiums, fees and others at **Global Lifestyle** declined 2% year over year to $1.8 billion. The downside can primarily be attributed to fall in mobile trade-in volumes due to stringent observance of lockdown measures on account of the pandemic and unfavorable foreign exchange. Net operating income of $121.8 million improved 11% year over year, driven by continued growth in mobile subscribers across North America and Asia Pacific, and reduced claims activity primarily outside the United States within Global Automotive and Connected Living. This was partially negated by increased claims within Global Financial Services.

Net earned premiums, fees and others at **Global Housing** declined 4% year over year at $488.9 million. This was primarily due to reduction in policies in-force from the previously disclosed financially insolvent client and reduced real estate owned volumes. Net operating income of $85.4 million improved 19% year over year driven by favorable non-catastrophe loss experience, moderate growth in specialty product lines and absence of losses within the small commercial business.

Net earned premiums, fees and others at **Global Preneed** inched up 1% year over year to $50.3 million, owing to continued growth pre-funded funeral policies and prior period sales of the Final Need product. Net operating income plunged 19% year over year to $13.7 million, mainly due to softer investment income and higher mortality claims stemming from the pandemic.

Net operating loss at **Corporate & Other** was $26.9 million, wider than the year-ago quarter's net operating loss of $24.4 million on account of weak investment income, which was owing to lower yields and more liquid investable assets. It was partially offset by lower expenses related to deferral of new hires and limited travel.

### Financial Position

Liquidity was $357 million as of Jun 30, 2020, about $132 million higher than the company's current targeted minimum level of $225 million. Total assets dipped 0.1% to $44.2 billion as of Jun 30, 2020 from 2019 end. Total shareholders' equity came in at $6 billion, up 5.6% from the level at 2019 end.

### Share Repurchase and Dividend Update

In the second quarter, the company bought back 0.25 million shares for $26 million. During July, the company did not buy back shares. It now has $403 million remaining under its current share buyback authorization. The company's total dividends amounted to $44 million in the reported quarter, including $40 million in common stock dividends and $5 million in preferred stock dividends.

### 2020 Guidance

For the full year, Assurant estimates net operating income per diluted share, excluding catastrophe losses, to rise in the band of 12-16% from the figure reported in 2019 ($9.21). The improvement can primarily be attributed to continuous expense discipline and profitable growth across all business segments. The company anticipates double-digit growth in net operating income, excluding catastrophes. The upside is likely to come on the back of earnings growth within Global Lifestyle and Global Housing. However, net operating income is estimated to remain lower for the second half of 2020 compared with the first half. For 2020, net operating loss in Corporate and Other are expected between $86 million and $90 million, mainly due to reduced investment income partly offset by decline in general expenses. Interest expense and preferred dividends are anticipated to be around $81 million and $19 million, respectively.

## Recent News

**Assurant Acquires Fixt, Boosts Mobile Repair Services** - Aug 17, 2020

Assurant has acquired vendor network management company, Fixt. The buyout of Fixt will enable Assurant, a global provider of lifestyle and housing solutions, to reinforce its proprietary device lifecycle management platform, which will assist customers with expanded options to overcome problems with their mobile devices. Also, it will aid in the management of their service experience.

**Assurant Declares Quarterly Dividend** – Jul 9, 2020

Assurant's board of directors declared a quarterly dividend of 63 cents per share. The dividend will be paid on Sep 22, 2020 to shareholders of record as on Aug 31. These moves reflect the company's robust capital position, which enables it to engage in prudent shareholder-friendly moves.

**Assurance and Units Receive Rating Action from AM Best** – Jul 8, 2020

For majority of Assurant's U.S. property and casualty (P&C) subsidiaries, AM Best has affirmed the Financial Strength Rating (FSR) of A (Excellent) and the Long-Term Issuer Credit Ratings (Long Term ICR) of "a+". AM Best has affirmed the Long-Term Issuer Credit Ratings (Long-Term ICR) of "bbb+" and the Long- and Short-Term Issue Credit Ratings for Assurant as well. The credit rating agency has upgraded the Long-Term ICR to "a+" from "a" and affirmed the FSR of A (Excellent) of the company's P&C subsidiary — Virginia Surety Company, Inc. Also for Assurant's core U.S. life/health (L/H) subsidiaries, AM Best has affirmed the FSR of A- (Excellent) and the Long Term ICRs of "a-". The outlook of these ratings is stable.

## Valuation

Assurant shares are down nearly 6.9% in the year-to-date period and 1.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 24.8% and 15.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 16.5% and 7.7%, respectively.

The S&P 500 index are up 3% in the year-to-date period and 11.8% in the past year.

The stock is currently trading at 1.22x trailing 12-month book value, which compares to 1.18x for the Zacks sub-industry, 2.54x for the Zacks sector and 4.50x for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.52x and as low as 0.86x, with a 5-year median of 1.18x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $128 price target reflects 1.28x trailing 12- month book value.

The table below shows summary valuation data for AIZ

**Valuation Multiples - AIZ**

| | | Stock | Sub-Industry | Sector | S&P 500 |
|---|---|---|---|---|---|
| P/B TTM | Current | 1.22 | 1.18 | 2.54 | 4.50 |
| | 5-Year High | 1.52 | 1.98 | 2.91 | 4.76 |
| | 5-Year Low | 0.86 | 0.85 | 1.72 | 2.83 |
| | 5-Year Median | 1.18 | 1.48 | 2.54 | 3.77 |
| P/S F12M | Current | 0.69 | 0.77 | 6.23 | 4.24 |
| | 5-Year High | 0.89 | 1.74 | 6.67 | 4.2 |
| | 5-Year Low | 0.45 | 0.77 | 4.97 | 2.53 |
| | 5-Year Median | 0.7 | 1.26 | 6.07 | 3.07 |
| P/E F12M | Current | 11.76 | 8.23 | 16.7 | 23.08 |
| | 5-Year High | 27.23 | 12.61 | 16.66 | 23.08 |
| | 5-Year Low | 8.28 | 6.62 | 11.60 | 15.25 |
| | 5-Year Median | 12.75 | 9.92 | 14.26 | 17.60 |

As of 09/03/2020

## Industry Analysis **Zacks Industry Rank:** Bottom 30% (175 out of 251)


*Source: Zacks Investment Research*

## Top Peers

| Company (Ticker) | Rec | Rank |
|---|---|---|
| American Financial Group, Inc. **(AFG)** | Outperform | 3 |
| First American Financial Corporation **(FAF)** | Outperform | 2 |
| Arch Capital Group Ltd. **(ACGL)** | Neutral | 3 |
| Axis Capital Holdings Limited **(AXS)** | Neutral | 4 |
| Everest Re Group, Ltd. **(RE)** | Neutral | 3 |
| RenaissanceRe Holdings Ltd. **(RNR)** | Neutral | 3 |
| Selective Insurance Group, Inc. **(SIGI)** | Neutral | 3 |
| The Travelers Companies, Inc. **(TRV)** | Neutral | 4 |

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

## Industry Comparison Industry: Insurance - Multi Line

| | AIZ | X Industry | S&P 500 | AFG | AXS | FAF |
|---|---|---|---|---|---|---|
| | | | | Industry Peers | | |
| **Zacks Recommendation (Long Term)** | Neutral | - | - | Outperform | Neutral | Outperform |
| **Zacks Rank (Short Term)** | 2 | - | - | 3 | 4 | 2 |
| **VGM Score** | B | - | - | C | C | B |
| Market Cap | 7.28 B | 3.29 B | 23.52 B | 5.94 B | 4.10 B | 5.92 B |
| # of Analysts | 2 | 2 | 14 | 2 | 3 | 2 |
| Dividend Yield | 2.07% | 2.52% | 1.62% | 2.68% | 3.37% | 3.32% |
| **Value Score** | A | - | - | A | C | A |
| Cash/Price | 0.32 | 0.34 | 0.07 | 0.46 | 0.40 | 0.26 |
| EV/EBITDA | 9.20 | 3.61 | 13.12 | 3.53 | 9.14 | 3.97 |
| PEG F1 | NA | 1.21 | 2.97 | NA | 24.97 | NA |
| P/B | 1.22 | 0.80 | 3.20 | 0.98 | 0.86 | 1.29 |
| P/CF | 11.48 | 6.97 | 12.72 | 5.80 | 10.90 | 7.35 |
| P/E F1 | 13.04 | 9.64 | 21.67 | 9.73 | 124.85 | 11.85 |
| P/S TTM | 0.72 | 0.79 | 2.49 | 0.79 | 0.83 | 0.92 |
| Earnings Yield | 7.80% | 9.67% | 4.40% | 10.28% | 0.80% | 8.44% |
| Debt/Equity | 0.37 | 0.24 | 0.70 | 0.31 | 0.38 | 0.00 |
| Cash Flow ($/share) | 10.63 | 3.45 | 6.93 | 11.57 | 4.47 | 7.22 |
| **Growth Score** | C | - | - | D | C | C |
| Historical EPS Growth (3-5 Years) | 12.03% | 8.76% | 10.41% | 11.69% | -22.66% | 19.69% |
| Projected EPS Growth (F1/F0) | 11.40% | -6.10% | -4.75% | -19.95% | -84.52% | -22.22% |
| Current Cash Flow Growth | 55.15% | 7.19% | 5.22% | 7.42% | -8.72% | 20.75% |
| Historical Cash Flow Growth (3-5 Years) | 2.39% | 1.69% | 8.49% | 12.34% | -11.78% | 18.51% |
| Current Ratio | 0.47 | 0.47 | 1.35 | 0.15 | 0.59 | 0.85 |
| Debt/Capital | 26.95% | 20.31% | 42.95% | 23.79% | 25.37% | 0.00% |
| Net Margin | 3.95% | 4.27% | 10.25% | 3.13% | -0.41% | 10.05% |
| Return on Equity | 10.23% | 7.13% | 14.59% | 11.34% | -1.85% | 14.27% |
| Sales/Assets | 0.23 | 0.19 | 0.50 | 0.11 | 0.19 | 0.54 |
| Projected Sales Growth (F1/F0) | 1.35% | 0.00% | -1.42% | -34.34% | -6.60% | 3.56% |
| **Momentum Score** | F | - | - | D | D | F |
| Daily Price Change | -1.63% | -1.41% | -2.14% | -0.07% | -0.04% | -1.67% |
| 1-Week Price Change | 1.69% | 1.60% | 2.59% | 4.80% | 7.47% | 4.64% |
| 4-Week Price Change | 2.63% | 0.36% | 2.25% | 6.76% | 13.71% | -0.26% |
| 12-Week Price Change | 16.40% | 4.96% | 11.04% | 11.27% | 25.20% | 8.08% |
| 52-Week Price Change | -1.49% | -15.12% | 2.01% | -35.35% | -23.86% | -10.37% |
| 20-Day Average Volume (Shares) | 322,952 | 142,418 | 1,827,096 | 395,899 | 1,058,647 | 635,441 |
| EPS F1 Estimate 1-Week Change | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EPS F1 Estimate 4-Week Change | -9.29% | 0.00% | 0.00% | -1.95% | 0.00% | 0.00% |
| EPS F1 Estimate 12-Week Change | 2.42% | 2.30% | 3.89% | -0.34% | -52.82% | 25.32% |
| EPS Q1 Estimate Monthly Change | -1.88% | 0.51% | 0.00% | 11.51% | 0.00% | 0.00% |

*Source: Zacks Investment Research*

## 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.

| | |
|---|---|
| Value Score | A |
| Growth Score | C |
| Momentum Score | F |
| VGM Score | B |

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

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

## Disclosures

**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.

## Additional Disclosure

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

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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