

The Boeing Company (BA)

\$239.22 (As of 06/17/21)

Price Target (6-12 Months): **\$254.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 05/03/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: F

Growth: F

Momentum: D

Summary

Boeing remains the largest aircraft manufacturer in the United States in terms of revenues, orders and deliveries, and is one of the largest aerospace and defense contractors. The company reported a solid 54% year-over-year growth in commercial deliveries in the first quarter. Boeing's revenue exposure is spread across more than 90 countries around the globe. Its share price has outperformed its industry in the past year. It witnessed stable demand in the first quarter in the commercial services market. However, due to reduced commercial service volume, its operating cash flows continue to be impacted by increases in commercial airplane inventory. Looking ahead, no near-term recovery in commercial service volume is expected for this stock. It is still way behind Airbus in terms of deliveries made, which indicates poor revenue growth prospects.

Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$278.57 - \$141.58
20-Day Average Volume (Shares)	11,108,220
Market Cap	\$139.9 B
Year-To-Date Price Change	11.8%
Beta	1.62
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Aerospace - Defense
Zacks Industry Rank	Bottom 17% (209 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-30.8%
Last Sales Surprise	5.8%
EPS F1 Estimate 4-Week Change	-47.8%
Expected Report Date	08/04/2021
Earnings ESP	-173.4%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	21,343 E	22,572 E	23,742 E	24,149 E	91,309 E
2021	15,217 A	18,359 E	22,148 E	24,745 E	79,800 E
2020	16,908 A	11,807 A	14,139 A	15,304 A	58,158 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.30 E	\$1.38 E	\$1.52 E	\$1.93 E	\$4.87 E
2021	-\$1.53 A	-\$0.27 E	\$0.52 E	\$1.34 E	-\$0.44 E
2020	-\$1.70 A	-\$4.79 A	-\$1.39 A	-\$15.25 A	-\$23.25 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	2.5

The data in the charts and tables, except sales and EPS estimates, is as of 06/17/2021. The report's text, and the analyst-provided sales

estimates, EPS estimates and price target are as of 06/18/2021.

Overview

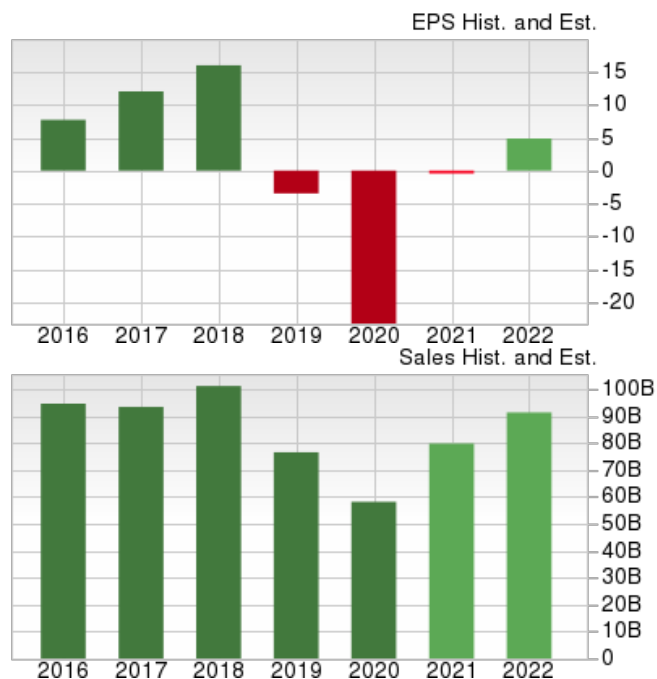
The Boeing Company is the largest constituent of the Dow Jones Industrial Average. The company's premier jet aircraft along with varied defense products positions it as one of the largest defense contractors in the United States. Its customers include domestic and foreign airlines, the U.S. Department of Defense (DoD), the Department of Homeland Security, the National Aeronautics and Space Administration (NASA), other aerospace prime contractors, and certain U.S. government and commercial communications customers. Currently the company operates in four segments:

Boeing Commercial Airplanes (BCA) Segment – This segment develops, produces and markets commercial jets, along with providing related support services. The company is a leading producer of commercial aircraft and has a series (737 Next-Generation narrow-body model and the 747, 767, 777 and 787 wide-body models) of commercial jetliners. Segment revenues. Segment revenues in 2020 were \$16.16 billion, representing 27.8% of the company's top line.

The three units that comprise the Boeing Defense, Space & Security (BDS) segment are as follows: Boeing Military Aircraft (BMA), Network and Space Systems (N&SS) and Global Services and Support (GS&S). The segment recorded revenues of \$26.26 billion in 2020, contributing 45.1% to the company's top line.

Boeing Global Services (BGS) Segment – This segment brings together certain Commercial Aviation Services businesses and BDS businesses. It provides parts, maintenance, modifications, logistics support, training, data analytics and information-based services to commercial and government customers worldwide. Revenues for this segment in 2020 amounted to \$15.54 billion, comprising 26.7% of the company's top line.

Boeing Capital Corporation (BCC) Segment – In the commercial aircraft market, BCC provides selective financing solutions for the Commercial Airplanes segment customers. In the space and defense markets, BCC arranges and structures financing solutions for BDS segment government customers. Revenues for this segment in 2020 amounted to \$0.26 billion, comprising 0.4% of the company's top line.



Reasons To Buy:

- ▲ Boeing remains the largest aircraft manufacturer in the United States in terms of revenue, orders and deliveries, and is one of the largest aerospace and defense contractors. Furthermore, its revenue exposure is spread across more than 90 countries around the globe. Although its commercial business outlook for the near term appears grim, over the long run, the jet maker holds immense growth prospects. Per the latest Boeing market outlook (BMO), the company anticipates that the world will need 48,400 new planes, worth \$8.5 trillion between 2020 and 2039. This estimated figure indicates a 9.9% improvement over the company's prior 20-year forecast for jetliner demand.

Long-term prospects of global services unit and increasing fiscal defense budget are expected to boost Boeing's growth

Moreover, over the next 20 years, passenger traffic growth is projected to increase by an average of 4% per year. This reflects bright growth prospects for commercial aerospace players like Boeing. On a further brighter note, the company reported a solid 54% year-over-year growth in commercial deliveries in the first quarter for the first time since March 2019. This can be primarily attributed to significantly higher 737 deliveries recorded in the first quarter, following Federal Aviation Administration's (FAA) flight approval for these jets in December 2020. A handful of orders for 737 jets that Boeing has received from Southwest Airlines, United Airlines, Alaska Airlines and Dubai Aerospace Enterprise, as of Apr 28, 2021, can be expected to once again bolster its commercial revenues, over the long term, post successful deliveries.

- ▲ In the commercial services market, Boeing witnessed stable demand in the first quarter. However, this is unlikely to lead to any near term rebound as COVID-19 is still an overhang on commercial air travel. Nevertheless, BMO forecasts a \$3 trillion market opportunity for commercial and government services through 2029, with digital solutions emerging as a critical enabler as customers focus on leaner operations to adjust to future market demand. This should bode well for the BGS business unit over the long run. Considering such solid projections, demand for Boeing's diverse family of commercial airplanes should continue to witness a notable uptick over the long run. These latest developments must have encouraged investor's interest in this stock. Evidently, Boeing's shares have gained 27.9% in the past year, outperforming the industry's growth of 16.7%.
- ▲ The outlook for the aerospace giant's defense business remains optimistic. In particular, the current U.S. government's inclination toward strengthening the nation's defense system should act as a growth catalyst for defense players like Boeing. Notably, the fiscal 2022 discretionary budget request includes spending of \$753 billion for national defense programs, which reflects a 1.7% increase over the fiscal 2021 enacted level. This should bode well for a prominent defense contractor like Boeing. It is in line with BMO's projection of a \$2.6 trillion market opportunity for defense and space during the next decade. To this end, it is imperative to mention that in the first quarter, the BDS unit won key contract awards worth \$7 billion. This segment's backlog now stands at \$61 billion. Looking ahead, Boeing is focused on future franchise programs such as the MQ-25, the T-7A Red Hawk, KC-46A Tanker, VC-25B and the MH-139A Grey Wolf. The company is also working to ensure strong performance of its existing platforms, especially its space programs, including Commercial Crew and Space Launch Systems.
- ▲ Boeing's cash and cash equivalent at the end of first quarter was \$7.06 billion. On the other hand, the company's short-term debt and current portion of long-term debt was \$6.02 billion as of Mar 31, 2021, lower than the cash balance figure. Its long-term debt was \$57.55 billion, which declined sequentially. Although its long-term debt was much higher than its cash reserve, its short-term debt remained lower than its cash reserve balance as of Mar 31, 2021, indicating the jet maker's ability to pay off its debt obligations, at least in the near term.

Moreover, the company's current ratio was 1.33 as of Mar 31, 2021, which being more than 1 indicates the fact that the jet maker has enough capital on hand to meet its short-term obligations. Its debt to capital ratio declined on a sequential basis in the first quarter. Such impressive financial ratios make us optimistic about the firm's ability to meet debt obligations in the near future.

Reasons To Sell:

- ▼ Boeing's commercial business has been suffering since March 2019, following the two fatal crashes involving 737 Max jets, which resulted in the subsequent grounding of these jets. On top of that, the COVID-19 impacts on Boeing's commercial customers continue to be devastating as airlines have cut back operations dramatically. Although in the first quarter, overall commercial deliveries improved on a year-over-year basis, still the unit's revenues plunged 31%. This was primarily caused by lower 787 deliveries. On the other hand, in spite of airlines having started to operating worldwide, the pace remains considerably slower, as a result of which Boeing witnessed notable commercial service volume decline in the first quarter. Looking ahead, the company continues to anticipate that it will take multiple years to reach previous demand levels and the recovery trajectory may be uneven. In addition to that, accelerated retirements are lowering the age of the fleet, reducing services demand, and prolonging the recovery of commercial services. So, over the near term, we expect no notable improvement in Boeing's commercial service volume.
- ▼ As of March 2021, Boeing had approximately 3,200 aircraft in its 737 backlog. So, it is currently producing at a low rate and expects to gradually increase the rate to 31 per month in early 2022 with further gradual increases corresponding with market demand. While such lower production rate might ramp up the company's abnormal production cost in the near term, as it has in the recent past, the storage cost for keeping such a huge number of jets in the warehouse might also be significant, thereby forcing the company to incur quarterly loss. Moreover, since the COVID-19 pandemic and its impact remain well prevalent across the globe, demand scenario in the commercial aerospace market is still quite bleak. Thus, successful delivery of these jets to the concerned airlines remains uncertain and so does any stark improvement in the performance of Boeing's commercial business in the near term.
- ▼ The COVID-19 pandemic has caused an unprecedented shock to demand for air travel, creating a tremendous challenge for Boeing's customers, business and the entire aerospace manufacturing and services sector. Although the company expects air travel to return to 2019 levels in 2023 to 2024, there remains significant uncertainty with respect to when commercial air traffic levels will actually recover, and whether and at what point capacity will return to and/or exceed pre-COVID-19 levels. As a result of reduced service volume, Boeing's operating cash flows continue to be impacted by increases in commercial airplane inventory. Evidently, the company reported operating cash outflow of \$3.39 billion in the first quarter. Looking ahead, Boeing expects to witness similar negative operating cash flows until commercial deliveries ramp up across the board.
- ▼ Boeing's arch-rival, Airbus has been successful in beating the U.S. jet maker for consecutively two years in terms of jet delivery. Notably, in 2020, in spite of being a victim of the global turmoil like other jet makers, Airbus managed to deliver 566 commercial jets in 2020. This delivery figure slumped 34.4% year over year but was much higher than Boeing's delivery count of only 157 units. Now, as per latest reports, as of March 2021, Boeing managed to topple Airbus in terms of orders, by securing 282 aircraft orders in total compared to cancellations of 76 planes. On the contrary, Airbus had a poor beginning to the year, with a mere 39 orders till Mar 31 in comparison to 100 aircraft cancellations. However, Boeing is still way behind its rival in terms of deliveries made, with this U.S. jet maker having delivered 77 aircraft during the first quarter compared with Airbus' 125 jets. Since deliveries indicate revenue growth prospects, such poor deliveries on part of Boeing in comparison to Airbus is likely to keep the former's commercial revenues under pressure over the near term.

Risks related to lower commercial deliveries due to COVID-19 pandemic and increasing competition with Airbus raise concerns.

Last Earnings Report

Boeing's Q1 Earnings Lag Estimates, Revenues Beat

The Boeing Company incurred adjusted loss of \$1.53 per share for first-quarter 2021, much wider than the Zacks Consensus Estimate of a loss of \$1.17. However, the bottom line improved from the year-ago quarter's loss of \$1.70.

Including one-time items, the company incurred GAAP loss of 92 cents per share compared with a loss of \$1.11 incurred in the first quarter of 2020.

The year-over-year bottom line improvement can be attributed to KC-46A Tanker improvement, higher 737 deliveries and lower commercial airplanes period costs.

Revenues

In the quarter under review, Boeing's revenues amounted to \$15.22 billion, which beat the Zacks Consensus Estimate of \$14.38 billion by 5.8%. The top line however declined 10% from the year-ago quarter's figure of \$16.91 billion.

This decline was due to lower 787 deliveries and commercial services volume.

Total Backlog

Backlog at the end of first-quarter 2021 inched up to \$364 billion from \$363.4 billion at the end of fourth-quarter 2020.

Segmental Performances

Commercial Airplane: Revenues at this segment plunged 31% to \$4.27 billion due to lower 787 deliveries. The segment incurred operating loss of \$856 million compared with loss of \$2.07 billion in the year-ago quarter.

Boeing delivered 77 commercial planes during the quarter under review, up 54% year over year.

Backlog for this segment remained healthy with over 4,000 airplanes valued at \$283 billion.

Boeing Defense, Space & Security (BDS): This segment recorded revenues worth \$7.19 billion in the first quarter, reflecting 19% year-over-year improvement, primarily driven by higher KC-46A Tanker revenues due to orders for 27 aircraft.

Meanwhile, this unit generated operating income of \$405 million against operating loss of \$191 million in the year-ago quarter.

Backlog at BDS was \$61 billion, 31% of which comprised orders from international clients.

Global Services: Revenues at this segment declined 19% to \$3.75 billion on account of lower commercial services volume thanks to COVID-19 impacts. Moreover, this unit generated operating income of \$441 million compared with \$708 million in the year-ago quarter.

Boeing Capital Corporation (BCC): This segment reported quarterly revenues of \$60 million compared with \$65 million registered in the year-ago quarter.

At the end of first-quarter 2021, BCC's portfolio balance was \$1.9 billion.

Financial Condition

Boeing exited the first quarter with cash and cash equivalents of \$7.06 billion, and short-term and other investments of \$14.86 billion. At the end of 2020, the company had \$7.75 billion of cash and cash equivalents, and \$17.84 billion of short-term and other investments. Long-term debt amounted to \$57.55 billion at the end of the first quarter, down from \$61.89 billion at 2020 end.

Boeing's operating cash outflow at the end of first-quarter 2021 was \$3.39 billion compared with \$4.30 billion at the end of first-quarter 2020.

Free cash outflow totaled \$3.68 billion at the end of first quarter 2021 compared with \$4.73 billion at the end of first-quarter 2020.

Quarter Ending	03/2021
Report Date	Apr 28, 2021
Sales Surprise	5.80%
EPS Surprise	-30.77%
Quarterly EPS	-1.53
Annual EPS (TTM)	-22.96

Recent News

On **June 17, 2021**, Boeing secured a \$32.6-million contract for incorporating certain changes for the remanufacture of twelve Apache aircraft and six-part numbers for tail rotor blades. Work related to the deal will be performed in Mesa, AZ and is scheduled to be completed by Oct. 1, 2024. The contract was awarded by the U.S. Army Contracting Command, Redstone Arsenal, AL.

On **May 3, 2021**, Boeing announced that the Lufthansa Group will continue its fleet modernization with a new order for five 787-9 Dreamliners. The incremental order further supports the group's efforts to reduce complexity in its long-haul fleet and improve overall environmental performance by introducing more fuel-efficient widebody jets.

The Lufthansa Group placed its initial order for 20 787-9s in 2019. The new purchase agreement takes the group's order book to 25 787-9s.

On **Apr 13, 2021**, Boeing revealed delivery figures for its commercial and defense operations for the first quarter of 2021. The figures reflect a sizeable 54% surge in commercial shipments from the previous year's first-quarter tally, while defense shipments rose 7.7%.

Boeing reported commercial deliveries of 77 airplanes in first-quarter 2021 compared with the 50 aircraft delivered in the first quarter of 2020.

On **Apr 12, 2021**, Boeing announced that the first P-8A Poseidon fuselage for Norway has arrived at Boeing facilities in Renton, Washington, from Spirit AeroSystems in Wichita, Kansas, marking a major milestone in the production of the first of five Poseidons for the Royal Norwegian Air Force.

A derivative of the Boeing 737 Next-Generation commercial aircraft, the P-8 is first assembled at Boeing Commercial Airplanes' 737 production line, where the fuselage receives additional wiring and systems needed to support military components, equipment and operation. The aircraft is then delivered to Boeing's Defense, Space & Security unit for the installation of military systems, testing and delivery to military customers.

On **Mar 31, 2021**, Boeing announced that the U.S. Navy has awarded the jet maker a \$1.6 billion production contract for the next 11 P-8A Poseidon aircraft. Nine aircraft will join the U.S. Navy fleet and two will go to the Royal Australian Air Force (RAAF), a cooperative partner in the P-8A joint program since 2009. The contract brings the total number of U.S. Navy P-8A aircraft under contract to 128 and the RAAF total to 14.

Valuation

Boeing's shares are up 11.7% in the year-to-date period and 27.9% over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Aerospace sector are up 13.5% and 13.5% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 16.7% while the sector is up 15.4%.

The S&P 500 index is up 13.2% in the year-to-date period and 38.4% in the past year.

The stock is currently trading at 1.6X forward 12-months sales, which compares to 1.4X for the Zacks sub-industry, 2X for the Zacks sector and 4.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.3X and as low as 0.6X, with a 5-year median of 1.7X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$254 price target reflects 1.74X forward 12-months sales.

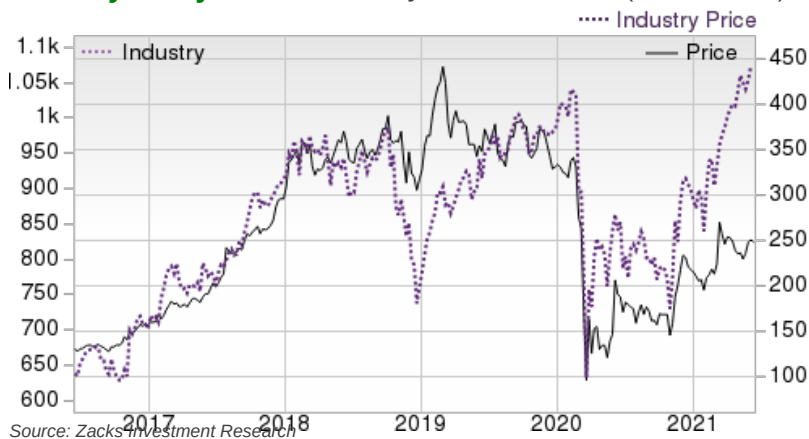
The table below shows summary valuation data for BA

Valuation Multiples - BA					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.64	1.4	1.98	4.7
	5-Year High	2.33	1.64	2	4.74
	5-Year Low	0.59	0.99	0.97	3.21
	5-Year Median	1.67	1.32	1.29	3.72
EV/EBITDA F12M	Current	25.94	14.24	17.46	17.23
	5-Year High	34.03	16.22	17.46	18.83
	5-Year Low	7.55	8.13	7.59	13.04
	5-Year Median	13.44	10.3	9.56	15.91
EV/SALES TTM	Current	3.11	2.14	2.8	4.8
	5-Year High	3.32	2.19	3	4.88
	5-Year Low	0.81	1.04	1.16	2.65
	5-Year Median	2.02	1.6	1.75	3.64

As of 06/17/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 17% (209 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
General Dynamics Corporation (GD)	Neutral	3
Leidos Holdings, Inc. (LDOS)	Neutral	3
L3Harris Technologies Inc (LHX)	Neutral	3
Lockheed Martin Corporation (LMT)	Neutral	3
Northrop Grumman Corporation (NOC)	Neutral	3
Raytheon Technologies Corporation (RTX)	Neutral	3
Airbus Group (EADSY)	Underperform	5
Safran SA (SAFRY)	Underperform	3

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

Industry Comparison Industry: Aerospace - Defense				Industry Peers		
	BA	X Industry	S&P 500	EADSY	GD	LMT
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	5	3	3
VGM Score	F	-	-	D	C	A
Market Cap	139.90 B	14.15 B	29.66 B	106.88 B	53.04 B	106.42 B
# of Analysts	7	6	12	2	8	9
Dividend Yield	0.00%	0.06%	1.35%	0.00%	2.54%	2.72%
Value Score	F	-	-	C	A	A
Cash/Price	0.15	0.07	0.05	0.22	0.03	0.03
EV/EBITDA	-17.50	10.74	16.95	44.30	12.02	11.38
PEG F1	NA	1.88	2.09	NA	2.33	3.13
P/B	NA	3.61	4.06	12.55	3.46	16.80
P/CF	NA	13.15	17.27	43.58	13.31	12.96
P/E F1	NA	16.86	20.99	48.69	16.75	14.32
P/S TTM	2.48	1.32	3.39	1.83	1.38	1.61
Earnings Yield	-0.18%	4.79%	4.65%	2.05%	5.97%	6.98%
Debt/Equity	-3.23	0.69	0.66	2.77	0.65	1.84
Cash Flow (\$/share)	-18.83	1.42	6.83	0.78	14.10	29.54
Growth Score	F	-	-	D	D	A
Historical EPS Growth (3-5 Years)	-13.99%	15.19%	9.44%	20.33%	4.17%	19.38%
Projected EPS Growth (F1/F0)	98.10%	12.73%	21.49%	380.00%	1.83%	9.14%
Current Cash Flow Growth	-3,699.87%	-11.78%	0.99%	-66.15%	-6.21%	11.52%
Historical Cash Flow Growth (3-5 Years)	NA%	3.26%	7.28%	-15.49%	3.26%	12.19%
Current Ratio	1.33	1.36	1.39	1.14	1.35	1.38
Debt/Capital	NA%	42.04%	41.51%	73.47%	39.45%	64.80%
Net Margin	-20.87%	2.98%	11.95%	-0.33%	8.22%	10.53%
Return on Equity	NA%	9.37%	16.48%	-8.24%	21.27%	134.40%
Sales/Assets	0.36	0.76	0.51	0.45	0.76	1.30
Projected Sales Growth (F1/F0)	37.21%	4.41%	9.41%	5.78%	2.88%	4.41%
Momentum Score	D	-	-	F	C	B
Daily Price Change	-1.26%	-0.18%	-0.04%	0.15%	-1.26%	-0.18%
1-Week Price Change	-1.06%	0.39%	-0.41%	1.40%	-1.07%	-1.62%
4-Week Price Change	5.08%	2.19%	1.51%	15.41%	-0.73%	-1.40%
12-Week Price Change	-3.22%	9.30%	7.99%	19.37%	4.23%	6.00%
52-Week Price Change	24.41%	18.51%	35.52%	79.58%	17.99%	1.19%
20-Day Average Volume (Shares)	11,108,220	485,845	1,771,802	233,980	927,545	1,181,048
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-47.85%	0.00%	0.03%	0.00%	0.11%	-0.03%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS F1 Estimate 12-Week Change	-197.12%	:	1.26%	3.37%	:	-35.78%	1.26%	1.60%
EPS Q1 Estimate Monthly Change	-21.52%	:	0.06%	0.00%	:	0.00%	-1.52%	0.46%

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	F
Growth Score	F
Momentum Score	D
VGM Score	F

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

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 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.