

Becton, Dickinson (BDX)

\$245.41 (As of 06/10/21)

Price Target (6-12 Months): **\$258.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/02/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

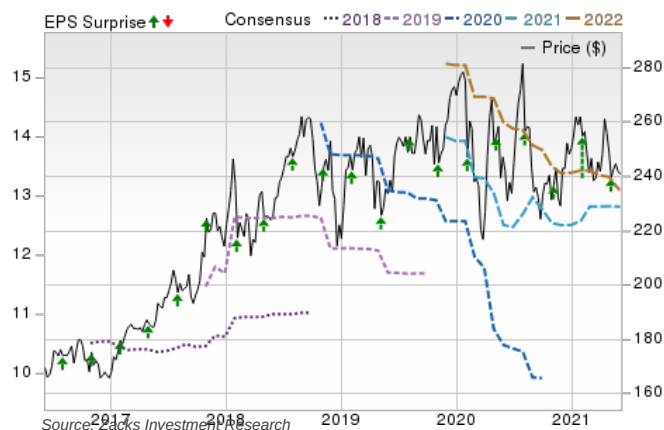
Growth: C

Momentum: B

Summary

BD's Diagnostic Systems unit saw strong revenue growth on solid COVID-19 testing within the United States in second-quarter fiscal 2021. The company continues to see solid demand for its products supporting the global COVID-response efforts. It also saw revenue growth in each of its core segments along with both domestic and international revenues in the quarter. Buyout of GSL Solutions in the quarter buoys optimism. A robust product line is impressive as well. A slew of regulatory approvals is also encouraging. Expansion of both margins is a positive. A strong liquidity position is an added plus. BD's fiscal second-quarter results were better-than-expected. Yet, forex woes affected BD's bottom line. Other issues like significant consolidation and product recalls persists. Over the past six months, BD has underperformed its industry.

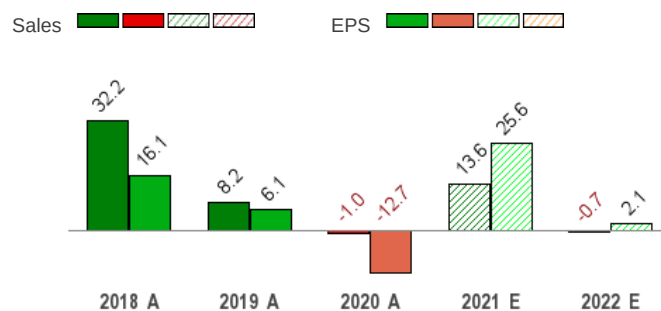
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$284.97 - \$219.50
20-Day Average Volume (Shares)	1,364,333
Market Cap	\$71.4 B
Year-To-Date Price Change	-1.9%
Beta	0.76
Dividend / Dividend Yield	\$3.32 / 1.4%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Top 44% (111 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.9%
Last Sales Surprise	1.5%
EPS F1 Estimate 4-Week Change	0.1%
Expected Report Date	08/05/2021
Earnings ESP	2.0%
P/E TTM	19.3
P/E F1	19.2
PEG F1	2.2
P/S TTM	3.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	4,756 E	4,750 E	4,691 E	4,957 E	19,312 E
2021	5,315 A	4,907 A	4,526 E	4,679 E	19,451 E
2020	4,225 A	4,253 A	3,855 A	4,784 A	17,117 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$3.23 E	\$3.16 E	\$3.10 E	\$3.47 E	\$13.08 E
2021	\$4.55 A	\$3.19 A	\$2.46 E	\$2.61 E	\$12.81 E
2020	\$2.65 A	\$2.55 A	\$2.20 A	\$2.79 A	\$10.20 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 06/10/2021. The report's text and the analyst-provided price target are as of 06/11/2021.

Overview

Based in Franklin Lakes, NJ, Becton, Dickinson and Company (BDX) commonly known as BD, is a medical technology company engaged principally in the development, manufacture and sale of medical devices, instrument systems and reagents.

In fiscal 2020, BD's revenues fell 1% to \$17.11 billion.

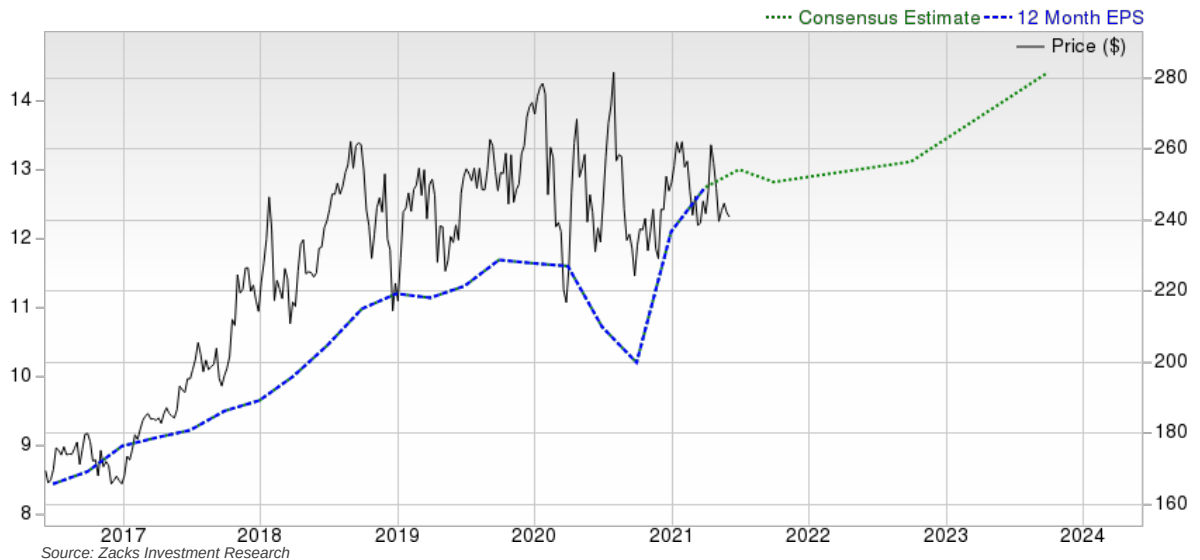
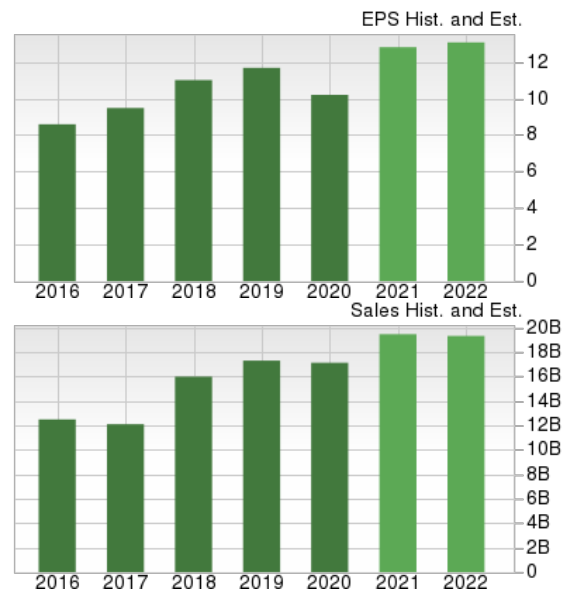
Earlier, BD's operations consisted of three business segments: BD Medical, BD Diagnostics and BD Biosciences. However, the company's organizational structure was realigned to form two principal business segments: BD Medical, BD Life Sciences and BD Interventional.

BD Medical (28.1% of fiscal 2020 revenues): BD Medical's major product lines include needles, syringes and intravenous catheters for medication delivery; prefilled IV flush syringes; syringes and pen needles for diabetes care; refillable drug delivery systems; regional anesthesia needles and trays; sharps disposal containers; closed-system transfer devices; and generic prefilled injectables.

BD Life Sciences (13.7% of fiscal 2020 revenues): BD Diagnostics provides products for the safe collection and transport of diagnostics specimens, as well as instruments and reagent systems to detect a broad range of infectious diseases, healthcare-associated infections and cancer.

BD Biosciences produces research and clinical tools that facilitate the study of cells to gain a better understanding of normal and disease processes.

With the acquisition of C.R. Bard, BD added a new segment — BD Interventional (15.1% of fiscal 2020 revenues) — in which C.R. Bard has been integrated.



Reasons To Buy:

▲ **Positive Developments:** In April 2021, BD submitted the 510(k) premarket notification for its Alaris pump, which is the leading infusion pump in the US market administering more than one million infusions each day. The company expects the approval in fiscal 2022.

In September 2020, BD received CE mark for its rapid, point-of-care, SARS-CoV-2 antigen test for utilization on the BD VeritorPlus System. The new test brings in substantial improvement in turnaround time for COVID-19 diagnostics as it offers real-time results and helps to make decisions while the patient is still onsite. In October, BD along with CerTest Biotech announced that the VIASURE SARS-CoV-2 (N1 + N2) Real Time PCR Detection Kit adapted for the BD MAX System has attained CE mark approval. This development is expected to boost the BD Life Sciences segment. In the same month, BD received 510(k) clearance from the FDA for its FACSLytic Flow Cytometer with the Integrated BD FACSDuet Sample Preparation System. Notably, the BD FACSDuet Sample Preparation System adds new capabilities to the BD portfolio of clinical flow cytometry solutions, which provide a pre-analytical system. This together with the BD FACSLytic Flow Cytometer is the first complete walkaway sample-to-answer solution for clinical labs.

In December 2020, BD announced its decision to invest \$1.2 billion to expand and upgrade manufacturing capacity as well as technology for pre-fillable syringes (PFS) and advanced drug delivery systems (ADDS) over four years. The expansion and upgrade will take place throughout the company's six global manufacturing locations along with the addition of a manufacturing facility in Europe. Apart from expanding its geographical footprint, the company is likely to strengthen its BD Medical segment with the upgrade.

In February 2021, BD announced the receipt of an Emergency Use Authorization (EUA) from the FDA for a new combination molecular diagnostic test to detect both SARS-CoV-2 and Influenza A+B in a single test that can generate results in two to three hours. The new test has also attained CE mark approval. The BD SARS-CoV-2/Flu for BD MAX System kits can now be ordered in the United States and Europe. Notably, the test is the newest addition to the company's comprehensive COVID-19 diagnostics response.

In March 2021, BD received the FDA EUA for a new, rapid antigen test, which can simultaneously identify SARS-CoV-2, influenza A and influenza B in a single test. The new test takes around 15 minutes to run on the BD Veritor Plus System and helps distinguish SARS-CoV-2, influenza A and influenza B from one another by offering definitive positive or negative individual display readouts for all the three indications. In the same month, BD collaborated with ImageMover to provide a companion mobile app that will facilitate SARS-CoV-2 antigen testing results on the BD Veritor Plus System at regular testing locations (schools and businesses). Notably, the ImageMover app is readily available for BD Veritor Plus System customers.

In April 2021, BD announced its plan to invest \$65 million in building a state-of-the-art facility in Tucson, AZ. This plant will become the company's supply-chain hub and serve as its final-stage manufacturing and sterilization center. This announcement should boost BD's integrated supply chain, thereby strengthening its Medical segment.

▲ **Formation of BD Interventional – A New Segment:** BD had established a third business segment — BD Interventional. Notably, C.R. Bard is integrated in this vertical. BD is already a leading player in interventional specialties solutions. The company promotes positive clinical outcomes using minimally invasive and percutaneous techniques for obtaining samples of liver, breast, lung and kidney biopsy. Further, the company provides facilities for peritoneal drainage at home. Also, within BD Interventional, the BD PureWick urine collection system and catheter continue to be a crucial driver of growth for the company's urology and critical care business.

In the fiscal second quarter, this segment generated worldwide revenues of \$1 billion, up 2.1% from the year-ago quarter on a reported basis and at flat growth rate at cc. This was owing to the segment's strong performance within the Peripheral Intervention, and Urology and Critical Care units.

In BD Interventional segment, the company is set to launch Sensica, a smart connected Foley catheter, which can be an important tool for the ICU. It provides weight-normalized urine output data that is one of the early parameters used by clinicians to help identify acute kidney injury. BD is also looking forward to unveiling the recently 510(k)-cleared Pristine long-term hemodialysis catheter in the fiscal third quarter.

▲ **Product Portfolio Solid:** A diversified product portfolio has been the key catalyst for BD. In July 2020, BD formed a strategic, public-private partnership with the Biomedical Advanced Research and Development Authority (BARDA), which is part of the U.S. Health and Human Services Office of the Assistant Secretary for Preparedness and Response. The primary objective of this collaboration is to create new manufacturing lines for injection devices that will offer priority access to the U.S. government for hundreds of millions of syringes and needles. This collaboration is likely to provide a boost to the company's BD Medical segment. Additionally, in the third quarter of fiscal 2020, BD also inked a partnership with AdvaMed on the national diagnostic supply registry to help ensure widespread availability of testing.

In fiscal first quarter, BD acquired the medical assets of CUBEX, which bolsters the former's medication management portfolio by combining a cloud-based, easy-to-deploy analytics platform with a smart tabletop dispensing device to create solutions for the rapidly growing non-acute care market. This extends the scope of BD's medication management offering from the hospital into the long-term care surgery centers and other non-acute locations.

In February 2021, BD collaborated with Scanwell Health, a renowned name in smartphone-enabled at-home medical tests. The partnership is aimed at creating an at-home rapid test for SARS-CoV-2 using BD's antigen test and the Scanwell Health mobile app. The latest test is expected to be a meaningful addition to BD's fight against the global pandemic, thereby boosting the company's Life Sciences business worldwide.

BD's focus on expanding into overseas markets, in particular, the emerging markets, new product launches as well as its acquisition-driven strategy are significant growth catalysts.

In March, BD acquired GSL Solutions, Inc. ("GSL"). The latter is a privately-held company that specializes in developing smart medication devices for storing and monitoring controlled substances and patient-specific medications that enhance security, efficacy and compliance of medication storage. This acquisition is expected to boost BD Medical segment, thereby improving the company's advanced medication management capabilities to further cater to the needs of retail pharmacies including those in outpatient settings.

▲ **Plethora of Launches:** BD has launched several products in recent times.

In the fiscal fourth quarter of 2020, within BD Medical segment, the company launched the BD UltraSafePlus 2.25 ml passive safety system, which boosts its proven high-growth safety portfolio in Pharmaceutical Systems. In the fiscal second quarter, BD launched a catheter stabilization solution for peripheral IV catheters with the BD Secura stabilization device and further advanced the safety of the BD PhaSeal optimal product family with a locking injector.

For fiscal 2021, BD is currently set for the U.S. launch of its new BD COR with its BD Onclarity HPV assay with extended genotyping developed to enhance the diagnosis and treatment of cervical cancer. With BD COR, BD is going to foray into the high-throughput molecular testing market with a very unique, fully automated sample-to-answer platform in a highly differentiated assay. The system has attained the CE mark and been seeing favorable customer reception since its launch in Europe.

▲ **Strong Solvency With Slight Leverage:** BD exited the second quarter of fiscal 2021 with cash and cash equivalents of \$3.92 billion compared with \$3.46 billion at the end of the first quarter of fiscal 2021. Meanwhile, total debt came up to \$17.72 billion for the period, compared to \$17.82 billion in the sequentially last reported quarter. This figure is much higher than the quarter-end cash and cash equivalent level, apparently indicating weak solvency. However, if we go by the company's current-year debt level of \$1 million, this comes pretty low compared to the cash in hand. This is good news in terms of solvency position of the company, at least during the year of economic downturn, implying that the company is holding sufficient cash for debt repayment.

Debt comparison with the industry is, however, unfavorable as industry's total debt of \$4.79 billion is much lower to the company's debt level.

The quarter's total debt-to-capital of 0.42 stands at a moderately high level, indicating a leveraged balance sheet. However, it represents a sequential increase from 0.39 at the end of the fiscal first quarter. This compares favorably with the total debt-to-capital of the industry, which stands at a higher level of 0.52. The overall data concludes that in terms of solvency level of the company, the picture is encouraging.

The times interest earned for the company stands at 4.7%, representing a sequential increase from 4.4% at the end of the fiscal first quarter.

In the fiscal second quarter, the company incurred an expense of \$528 million as payments to shareholders. Also, it has an outstanding share repurchase authorization with 7,857,742 common shares remaining at present. The current payout ratio stands at a high level of 25.5%, representing a sequential decrease from 26.5% from the end of the fiscal first quarter. Amid the pandemic-led economic crisis, if production and supply halt along with lockdowns continue through the next few months, the company might find paying its regular quarterly dividends to be over-burdened. However, this compares unfavorably with the payout rate of the industry which stands at a lower level (15.7%).

Reasons To Sell:

- ▼ **Stock Down:** Over the past six months, shares of BD have gained 2.3% compared with the industry's 12.5% rise. Unfavorable foreign currency affected BD's quarterly bottom line. Further, global economic uncertainty due to coronavirus pandemic is another woe. Tough competition remains a dampener.
- ▼ **Foreign Exchange:** BD generates more than half of its revenues from international operations, which is adversely affected by fluctuations in foreign currency exchange rates. We note that U.S. manufacturers such as BD are being hurt by a strengthening U.S. dollar, which has benefited from more upbeat U.S. economic prospects compared to the rest of the world.
- ▼ **Product Recalls/ Shipment Issues:** Within the Diabetes Care business, BD temporarily has paused shipments of its insulin infusion sets. This was due to a moderately-higher-than-anticipated rate of complaints associated with insertion that occurred during the pilot launch of the product. However, management at BD conducted a clinical trial to gather further insights and to ensure that patients ultimately realize the full benefits of BD FlowSmart technology. In recent times, management declared that BD has decided to discontinue the infusion sets.
- ▼ **Significant Consolidation:** The medical technology industry has experienced a significant amount of consolidation. As a result, competition to provide goods and services to customers has increased significantly. BD faces a wide range of competitors in each of its three business segments. Moreover, the entry of manufacturers located in China and other low-cost manufacturing locations are intensifying pricing pressure, particularly in developing markets. In addition, group purchasing organizations and integrated health delivery networks have served to concentrate purchasing decisions for some customers, which has also exerted pricing pressure on medical device suppliers like BD. Further consolidation in the industry could exert additional pressure.

Lower demand for healthcare products, increasing competition, significant exposure to foreign exchange volatility pose major headwinds.

Last Earnings Report

Becton Dickinson Earnings Surpass Estimates in Q2

Becton, Dickinson and Company, also known as BD, reported second-quarter fiscal 2021 adjusted earnings per share of \$3.19, which beat the Zacks Consensus Estimate of \$3.04 by 4.9%. The bottom line also rose 25.1% on a year-over-year basis and grew 22.7% at constant currency (cc) as well.

Revenues

For the quarter, the company raked in revenues of \$4.90 billion, beating the Zacks Consensus Estimate by 1.5%. Also, the top line grew 15.4% from the year-ago quarter on a reported basis and 12.2% on a currency-neutral basis.

Segment Details

BD Medical

For the quarter under review, the company reported worldwide revenues of \$2.30 billion, up 7.4% from the year-ago quarter on a reported basis and 4.7% at cc. Per management, this upside can be particularly attributed to growth in Medication Delivery Solutions and Pharmaceutical Systems units.

BD Life Science

Worldwide revenues in the segment totaled \$1.60 billion, up 42.5% year over year on a reported basis and 37.7% at cc. Per management, this upside was driven by strong sales of Integrated Diagnostic Solutions unit, associated with COVID-diagnostic testing solutions, which includes BD Veritor Plus and BD Max platforms.

BD Interventional

This segment generated worldwide revenues of \$1 billion, up 2.1% from the year-ago quarter on a reported basis and at flat growth rate at cc. This was owing to the segment's strong performance within the Peripheral Intervention, and Urology and Critical Care units.

Geographic Results

US

In the fiscal second quarter, revenues in the United States grew 1.9% to \$2.50 billion. Per management, solid performance in the United States primarily reflects higher sales associated with COVID-testing solutions.

International

Revenues outside the United States grossed \$2.40 billion, up 33% from the year-ago quarter on reported basis and 25.7% on currency-neutral basis. Per management, this upside was driven by a strong performance, primarily in the BD Medical and BD Life Sciences segments.

Margin Analysis

In the fiscal second quarter, gross profit amounted to \$2.2 billion, up 29.6% from the prior-year quarter's tally. Gross margin was 45.8%, up 502 basis points (bps) from the prior-year quarter.

Adjusted operating profit amounted to \$781 million, up 75.9% from the year-ago figure. Adjusted operating margin was 15.9%, up 548 bps.

Cash Position

The company exited the second quarter of fiscal 2021 with cash and cash equivalents of \$3.70 billion compared with \$3.25 billion at the end of the first quarter of fiscal 2021.

Cumulative net cash provided by operating activities came in at \$2.72 billion compared with \$1.19 million in the year-ago period.

Fiscal 2021 Guidance

For the current fiscal year, revenues are projected to grow 12-14% on a reported basis and 10-12% on a currency-neutral basis, at par with the previously-issued guidance. The Zacks Consensus Estimate for the same is pegged at \$19.45 billion.

For full fiscal, adjusted EPS is reaffirmed between \$12.75 and \$12.85. The current projection again suggests growth of almost 25-26% from the prior fiscal year's reported number. The Zacks Consensus Estimate for the same is pegged at \$12.82.

Quarter Ending	03/2021
Report Date	May 06, 2021
Sales Surprise	1.47%
EPS Surprise	4.93%
Quarterly EPS	3.19
Annual EPS (TTM)	12.73

Recent News

BD Partners With USA Swimming to Provide COVID-19 Testing: Jun 11, 2021

BD has partnered with USA Swimming, the national governing body for the sport of swimming in the United States to provide COVID-19 testing at USA Swimming events.

BD Solidifies Foothold in Healthcare Cybersecurity: Jun 2, 2021

BD announced that it has been authorized as a Common Vulnerability and Exposures (CVE) Numbering Authority via the CVE Program.

BD to Boost Lab Efficacy With BD Kiestra UCA's U.S. Launch: May 26, 2021

BD announced the U.S. launch of a Urine Culture Application (UCA) for use with the BD Kiestra lab automation incubation and imaging system.

BD Launches Iodine-Based Surgical Irrigation System: May 25, 2021

BD launched the BD Surgiphor Sterile Wound Irrigation System. It is the first and only ready-to-use aqueous povidone-iodine (PVP-I) irrigation solution currently available in the market which mechanically loosens and removes wound debris.

BD's Assay for HPV Screening Receives CE Mark: May 13, 2021

BD announced the receipt of the CE Mark for the industry's first self-collection claim for HPV screening. The new claim allows laboratories and facilities to process self-collected samples via a BD diluent tube using the BD Onclarity HPV Assay on either the BD Viper LT or the BD COR System.

BD Announces Plans to Spin Off Diabetes Care Business: May 6, 2021

BD announced that its board of directors has unanimously authorized management to proceed with a plan to spin off the company's Diabetes Care business as an independent, publicly traded company NewCo.

Valuation

BD's shares are down 1.9% and up 6.3% in the year-to-date period and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are up 9.3% in the year-to-date period, while that in the Zacks Medical sector are up 1.9%. Over the past year, the Zacks sub-industry is up 34.6% while sector is up 8.8%.

The S&P 500 index is up 13.6% in the year-to-date period and up 41.6% in the past year.

The stock is currently trading at 18.9X Forward 12-months earnings, which compares to 19.2X for the Zacks sub-industry, 23.5X for the Zacks sector and 21.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24X and as low as 15.9X, with a 5-year median of 19.2X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$258 price target reflects 19.8X forward 12-months earnings.

The table below shows summary valuation data for BD.

Valuation Multiples - BD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.86	19.17	23.53	21.84
	5-Year High	24.00	19.77	23.53	23.83
	5-Year Low	15.90	13.63	15.82	15.31
	5-Year Median	19.16	16.98	19.34	18.05
P/S F12M	Current	3.69	0.43	2.73	4.72
	5-Year High	4.43	0.43	3.17	4.74
	5-Year Low	2.71	0.23	2.27	3.21
	5-Year Median	3.64	0.29	2.78	3.72
P/B TTM	Current	2.88	5.81	4.50	7.05
	5-Year High	5.23	5.88	5.05	7.05
	5-Year Low	2.57	2.54	3.03	3.84
	5-Year Median	3.16	3.45	4.35	5.02

As of 06/10/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 44% (111 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Henry Schein, Inc. (HSIC)	Outperform	2
West Pharmaceutical Services, Inc. (WST)	Outperform	2
Align Technology, Inc. (ALGN)	Neutral	3
The Cooper Companies, Inc. (COO)	Neutral	3
Laboratory Corporation of America Holdings (LH)	Neutral	3
Patterson Companies, Inc. (PDCO)	Neutral	3
Straumann Holding AG (SAUHF)	Neutral	2
DENTSPLY SIRONA Inc. (XRAY)	Neutral	3

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

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	BDX	X Industry	S&P 500	HSIC	LH	PDCO
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	B	-	-	A	A	D
Market Cap	71.37 B	3.87 B	30.26 B	11.06 B	25.50 B	3.48 B
# of Analysts	11	5.5	12	9	9	8
Dividend Yield	1.35%	0.00%	1.28%	0.00%	0.00%	2.89%
Value Score	B	-	-	A	A	B
Cash/Price	0.06	0.06	0.06	0.01	0.07	0.05
EV/EBITDA	23.23	15.14	17.41	15.71	8.14	17.49
PEG F1	2.16	1.81	2.14	1.75	1.10	1.44
P/B	2.88	4.67	4.16	2.77	2.54	3.72
P/CF	13.83	17.69	17.71	18.37	7.41	3.77
P/E F1	19.16	23.23	21.55	19.69	11.60	16.99
P/S TTM	3.78	3.67	3.49	1.04	1.66	0.62
Earnings Yield	5.22%	3.14%	4.55%	5.08%	8.62%	5.90%
Debt/Equity	0.71	0.26	0.66	0.13	0.50	0.52
Cash Flow (\$/share)	17.74	2.67	6.83	4.28	35.24	9.54
Growth Score	C	-	-	A	A	F
Historical EPS Growth (3-5 Years)	7.53%	7.78%	9.44%	-1.30%	19.33%	-10.52%
Projected EPS Growth (F1/F0)	25.62%	35.34%	21.30%	34.34%	-6.02%	2.98%
Current Cash Flow Growth	-8.29%	2.02%	0.98%	-13.79%	102.69%	327.70%
Historical Cash Flow Growth (3-5 Years)	16.70%	12.28%	7.28%	-1.55%	22.28%	27.55%
Current Ratio	1.86	1.85	1.39	1.68	1.67	1.43
Debt/Capital	41.65%	19.36%	41.53%	19.36%	33.39%	34.30%
Net Margin	8.98%	1.53%	11.95%	4.14%	17.26%	-8.54%
Return on Equity	15.53%	12.94%	16.36%	12.18%	34.07%	21.53%
Sales/Assets	0.35	0.87	0.51	1.38	0.79	2.05
Projected Sales Growth (F1/F0)	13.63%	6.84%	9.37%	15.95%	3.68%	4.49%
Momentum Score	B	-	-	A	A	C
Daily Price Change	0.85%	0.52%	0.21%	1.26%	0.70%	1.52%
1-Week Price Change	-0.51%	0.00%	0.58%	2.45%	-2.96%	5.87%
4-Week Price Change	0.54%	-0.13%	1.55%	-1.87%	-5.63%	2.89%
12-Week Price Change	2.60%	3.76%	7.72%	16.09%	8.79%	11.19%
52-Week Price Change	6.61%	45.72%	46.01%	40.77%	59.59%	108.58%
20-Day Average Volume (Shares)	1,364,333	345,870	1,775,554	810,639	745,702	728,782
EPS F1 Estimate 1-Week Change	0.01%	0.00%	0.00%	0.64%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.06%	0.00%	0.03%	0.43%	1.02%	0.00%
EPS F1 Estimate 12-Week Change	-0.01%	2.81%	3.52%	8.46%	5.36%	0.00%
EPS Q1 Estimate Monthly Change	-0.49%	0.00%	0.00%	3.19%	0.88%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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