

## Boston Scientific (BSX)

**\$38.48** (As of 09/18/20)

Price Target (6-12 Months): **\$41.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 08/18/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: A

## Summary

Year-to-date, Boston Scientific underperformed its industry. Boston Scientific's second-quarter 2020 sales at each of its core business segments and geographies were significantly down, affected by lower demand for non-COVID-19 healthcare products and elective procedures. Despite the company's reduction in operational expenses, both the margins contracted massively on huge revenue loss. This time too, the company could not come out with any update on its full-year guidance. However, Boston Scientific's MedSurg arm is expected to recover faster than other core segments due to comparatively less number of deferral procedures. BTG interventional medicines has performed well. We are also optimistic about the company's investments to drive Electrophysiology.

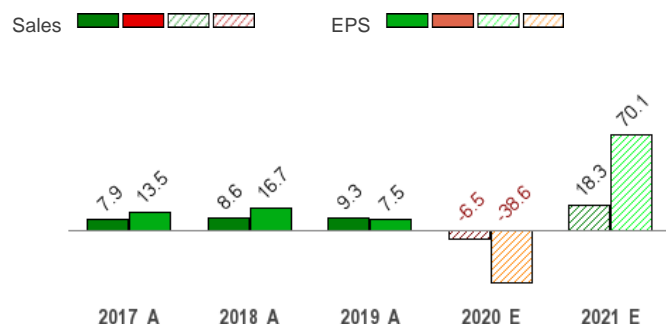
## Price, Consensus & Surprise



## Data Overview

52-Week High-Low	<b>\$46.62 - \$24.10</b>
20-Day Average Volume (Shares)	<b>6,991,835</b>
Market Cap	<b>\$55.1 B</b>
Year-To-Date Price Change	<b>-14.9%</b>
Beta	<b>0.95</b>
Dividend / Dividend Yield	<b>\$0.00 / 0.0%</b>
Industry	<b>Medical - Products</b>
Zacks Industry Rank	<b>Bottom 31% (174 out of 251)</b>

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



Last EPS Surprise	<b>300.0%</b>
Last Sales Surprise	<b>22.1%</b>
EPS F1 Estimate 4-Week Change	<b>0.0%</b>
Expected Report Date	<b>10/28/2020</b>
Earnings ESP	<b>7.0%</b>
P/E TTM	<b>31.8</b>
P/E F1	<b>39.7</b>
PEG F1	<b>3.7</b>
P/S TTM	<b>5.4</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,850 E	2,926 E	2,954 E	3,184 E	11,874 E
2020	2,543 A	2,003 A	2,520 E	2,973 E	10,038 E
2019	2,493 A	2,631 A	2,707 A	2,905 A	10,735 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.37 E	\$0.41 E	\$0.42 E	\$0.49 E	\$1.65 E
2020	\$0.28 A	\$0.08 A	\$0.24 E	\$0.40 E	\$0.97 E
2019	\$0.35 A	\$0.39 A	\$0.39 A	\$0.46 A	\$1.58 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/18/2020. The reports text is as of 09/21/2020.

## Overview

Headquartered in Natick, MA and founded in 1979, Boston Scientific Corporation manufactures medical devices and products used in various interventional medical specialties worldwide. The company has adopted the organic as well as inorganic routes for success.

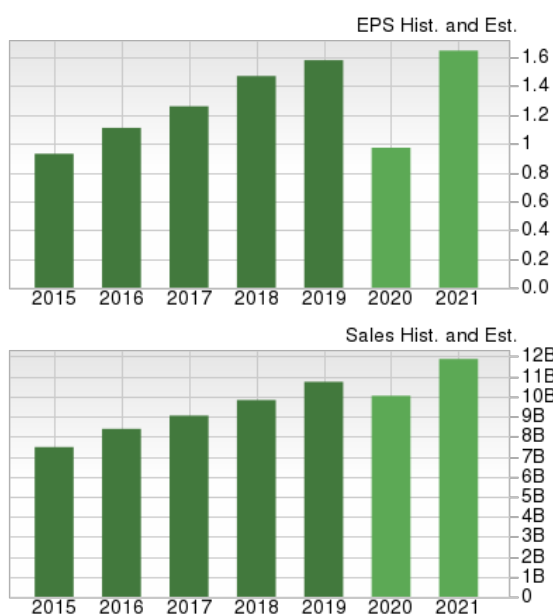
Boston Scientific currently has 3 global reportable segments viz. Cardiovascular (39.6% of total revenue in 2019; up 10% organically from 2018), Rhythm and Neuro (28.1%; up 1%) and MedSurg (30.2%; up 10.6%).

While Cardiovascular includes Interventional Cardiology (IC) and Peripheral Interventions (PI), Rhythm and Neuro comprises Cardiac Rhythm Management (CRM), Electrophysiology and Neuromodulation. The MedSurg group comprises 2 sub segments, viz. Endoscopy, Urology and Pelvic Health.

The company is one of the leading players in the interventional cardiology market with its coronary stent product offerings. Boston Scientific markets a broad portfolio of internally-developed and self-manufactured drug eluting stents including the Promus PREMIER, Promus Element and Promus Element Plus everolimus-eluting stents. In addition, in Europe, it markets the SYNERGY Everolimus-Eluting Platinum Chromium Coronary Stent System featuring an ultra-thin abluminal (outer) bioabsorbable polymer coating.

The company also markets balloon catheters, rotational atherectomy systems, guide wires, guide catheters, embolic protection devices, and diagnostic catheters used in percutaneous transluminal coronary angioplasty (PTCA) procedures, as well as intravascular ultrasound (IVUS) imaging systems.

Within the CRM segment, the company deals with implantable devices that monitor the heart and deliver electricity to treat cardiac abnormalities. The portfolio includes implantable cardioverter defibrillator (ICD) systems, cardiac resynchronization therapy defibrillator (CRT-D) systems and cardiac resynchronization therapy pacemaker (CRT-P) systems.



Source: Zacks Investment Research

## Reasons To Buy:

- ▲ **MedSurg to Recover Fast Despite Coronavirus Fiasco:** Although, a higher mix of non-deferrable procedures within MedSurg business has already resulted in significant decline in trends through the last few months within both Urology and Pelvic health and Endoscopy, Boston Scientific expects these to recover faster than rest of its business segments. More precisely, within urology/pelvic health, sales from the company's stone franchise and SpaceOAR products showing better resilience. In the second quarter, there was faster than expected recovery at prosthetic urology and pelvic floor franchise. Boston Scientific continues to believe, urology/ pelvic health to have one of the faster potential recovery curves aided by a higher office ASE mix for most elective procedures.

Boston Scientific is gaining traction in the emerging markets, particularly in the BRIC zone. Also, accretive acquisitions and significant progress in the company's restructuring initiatives buoy optimism.

Adding further impetus to this recovery is the recently received positive guidance from the United Kingdom National Institute of Health and Care Excellence (NICE) for Rezum. Per the guidance, this has been recommended as a minimally invasive treatment for BPH, given the product's effectiveness and significant cost savings.

Within Endoscopy, the company noted that, recovery has already started from June. As per data, second quarter sales declined 26% year over year. However, in June it dropped only 10% from the year-ago period. This improvement trend continues into July as endoscopy business has a favorable mix of both relatively high acuity and outpatient side of service. ERCP procedures for the pancreas and bile ducts reported trend improvement as stone removal and tumor biopsies typically cannot be deferred more than four to six weeks. The company also saw a nice recovery in upper endo procedures as well as colonoscopies.

As a major development, CMS granted a transitional pass-through payment for single use endoscopes, including EXALT D, which went into effect on July 1. According to the company, this will facilitate Medicare patient access in the outpatient setting. The company is also looking forward to the full-market launch of SpyGlass Discover (a single stage approach in treating bile ducts) in both the United States and Europe in the second half of 2020.

- ▲ **Long-term Growth Goals Look Impressive:** In 2019, Boston Scientific provided a review of its long-term growth strategy and offered plans for product pipeline and strategic investments. According to the company, this is aimed at improving its clinical and economic outcomes, sustaining category leadership in served markets and expanding into high-growth, adjacent markets. The plan focuses on spaces like category leadership strategy, product diversification into faster-growth markets and expansion of portfolio and capabilities across geographies. In this regard, Boston Scientific noted that in 2018, it invested approximately \$1 billion in R&D and also announced 10 strategic acquisitions in support of its category leadership scheme. Based on these investments, the company expects to introduce approximately 75 products by 2022.

According to the company, by 2022, these product launches will help 80% of its sales to reach high and moderate -growth markets. In terms of geographic growth, Boston Scientific is working on widening its footprint in the emerging markets along with increasing patient access to care and supporting steady broad-based progress through physician training capabilities, channel explosion and local partnerships.

- ▲ **BTG Continues to Do Well Within PI:** Boston Scientific's \$4.2-billion colossal acquisition of BTG has successfully continued to boost Boston Scientific's PI portfolio even amid the pandemic. BTG has three primary businesses, of which its Interventional Medicine portfolio, including various PI product lines, is the largest. Furthermore, BTG's Interventional Medicine business also boasts a vascular portfolio. In addition to BTG's Interventional Medicine product lines, it also has a specialty pharmaceutical business. With the completion of BTG acquisition, the consolidated company now expects to gain an enhanced category leadership position in interventional oncology, arterial and venous therapies. Boston Scientific earlier expected this business to deliver double-digit growth in 2020.

Meanwhile, amid the coronavirus mayhem, while the Peripheral Interventions business failed to score positive growth in the second quarter, BTG interventional medicines however, has performed extremely well during the pandemic. It contributed 580 basis points to total growth, led by TheraSpheres which grew low-single-digits in the quarter.

- ▲ **Structural Heart, a Long-Term Growth Component:** Boston Scientific's structural heart programs are fast building momentum banking on strong performance of the WATCHMAN left atrial appendage closure device and ACURATE TAVR valve. The company noted that, WATCHMAN registered consistent sales improvements since April and accelerated recovery throughout the second quarter and continued the recovery momentum into July as well. In this regard, WATCHMAN has recently received reimbursement in Japan. This apart, the next generation WATCHMAN FLX is strongly capturing the European market. Meanwhile, despite the coronavirus debacle, Boston Scientific has successfully managed the U.S.-launch of FLX in June 2020.

In terms of ACURATE TAVR, in April, ACURATE neo2 achieved CE Mark and the company is now rolling out accurate neo2 U.S. trial and plans for limited market release in Europe in the second half. In terms of the potential impact of the pandemic on ACURATE TAVR, the company noted that, the TAVR procedures are generally less deferrable than WATCHMAN. Meanwhile, Sentinel, the only cerebral embolic protection device is now being used widely in the U.S. hospitals. Per Boston Scientific's earlier estimates, Sentinel is approaching 20% of the overall U.S. TAVR procedural penetration.

We believe, the combined strength of WATCHMAN, ACURATE, LOTUS Edge, SENTINEL and Millipede has positioned the company well to capture a strong structural heart market share over the next couple of years. Per a data by Technavio, the global transcatheter mitral valve replacement market is growing stupendously at a CAGR of approximately 22% over 2016-2020. Management is optimistic about this large patient population in this space, which is unfortunately underserved at the moment. Hence, this area represents a lucrative market to be tapped into.

- ▲ **LOTUS Edge Relaunches:** Following the controlled launch in Europe, recently, Boston Scientific began a controlled commercial launch of LOTUS Edge Aortic Valve System in United States. As per the latest update, The LOTUS Edge controlled launches are going extremely well.

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Through the second quarter, LOTUS EDGE continued to see strong utilization within existing accounts. Although, new account openings and geographic expansion slowed down in the second quarter due to the COVID-19 impacts, June and July results with LOTUS EDGE are encouraging. Boston Scientific expects to get back to its regular cadence of account openings in the United States and continue with the launch in Japan in the second half of 2020.

- ▲ **Impressive Value-Adding Acquisitions:** We are impressed with Boston Scientific's several recent acquisitions that have added numerous products (though many are under development) with immense potential. This, in turn, should help boost the top line in the long term. Apart from the recently-completed acquisition of BTG, the company made a number of strategic acquisitions of late including Millipede (within Structural Heart) Claret Medical, VENITI and Augmenix. These acquisitions all target high-growth markets, enhance the company's category leadership strategy, leverage existing global capabilities and further enhance its short-term and long-term growth profile.

Augmenix acquisition has enhanced the company's category leadership strategy in Urology. On the other hand, integration of Claret Medical has broadened the company's structural heart portfolio. Earlier to that, the company announced acquisitions of NxThera and nVision in Urology and Pelvic Health, EmCision in Endoscopy and Securus in EP.

- ▲ **New Strategic Investments to Drive Electrophysiology:** We are also looking forward to Boston Scientific's acquisition of Apama Medical which has allowed the company to expand into the single-shot pulmonary vein isolation ablation market, which is a potential \$1 billion market by 2022. Through this deal, Boston Scientific aims to expand its suite of arrhythmia solutions which fall under the Electrophysiology sub-segment of the company. In this regard, the global Electrophysiology (EP) market is poised to reach a value of around \$8.27 billion by 2022 (per data by Allied Market Research).

During the second quarter earnings call, the company noted that, its EP recovery is taking place fast. EP sales in the second quarter were down 39% as this franchise has a higher deferrable mix than CRM. However, EP trend has started to improve to down 28% in June on an average daily sales basis and has improved further in July. The company currently awaits, several new product launches in Europe in the second half of 2020. It is currently preparing for the limited market release of POLARx, the second-generation single shot cryoablation catheter. Boston Scientific has also received European approval for its four-sensing stable point therapeutic catheter.

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## Reasons To Sell:

▼ **Share Price Movement:** Year-to-date, Boston Scientific underperformed the industry it belongs to. The stock lost 14.9% compared with the 1.9% fall of the industry. The ongoing economic doldrums in the wake of global coronavirus outbreak is slashing down the stock price largely. The global supply chain disruption due to this pandemic is causing a significant slash in the company's revenue as well. In the second quarter, Boston Scientific delivered disappointing year-over-year earnings and revenues performances. Sales at each of its core business segments and geographies were significantly down in the reported quarter, affected by lower demand for non-COVID-19 healthcare products and elective procedures. Despite the company's reduction in operational expenses, both the margins contracted massively on huge revenue loss.

Unfavorable currency movement and product recall were major dampeners during the quarter. Strong competitors in the large medical device market also pose a tough challenge for Boston Scientific.

The uncertainties regarding the duration and impact of the coronavirus pandemic on the company's overall business had earlier compelled Boston Scientific to suspend its previously-issued 2020 financial guidance. This time too, the company could not come out with any update on its full-year guidance.

▼ **Coronavirus-Led Debacle Worrisome for the Business:** In the second quarter, total sales for Boston Scientific declined 29% on an organic basis, reflecting the impact from COVID-19. Specifically, worldwide organic revenue was down 47% in April, down 24% in May and down 17% in June, on an average daily sales basis. On a regional basis, Asia-Pacific declined 14% in the second quarter. Europe, Middle East, Africa declined 26% in the second quarter.

Meanwhile, the company expects third-quarter revenues to contract on a year-over-year basis, although reporting a sequential improvement. And then, finally in the fourth quarter, Boston Scientific is likely to return to growth, the company projected.

▼ **Legal Hassle Puts Pressure on Bottom Line:** Boston Scientific continues to incur escalating operating cost on its constant involvement in handling serious legal problems. For instance, in 2019, the FDA ordered manufacturers of surgical mesh intended for transvaginal repair of pelvic organ prolapse (POP) to stop selling and distributing these products. The company is currently working to resolve the mesh litigation, with over 95% of all known claims now settled or in the final stages of settlement. On this, the total legal reserve, of which mesh is included, was \$568 million as of Dec 30, 2019, a decline of roughly \$35 million versus June 30 and includes an additional \$25 million reserve for international settlements. Undoubtedly, these legal expenses are putting huge pressure on Boston Scientific's bottom line.

▼ **Pacemaker Sales Still Declining:** Declining worldwide pacemaker sales over the recent past continued to weigh on Boston Scientific's CRM results. The company currently anticipates a modest pacer headwind for full-year 2020. However, pacemaker sales should gradually improve in with new product launches (including the launch of RESONATE platform) and easier comps.

▼ **Exposure to Currency Movement:** With Boston Scientific recording 47% of its sales from the international market, it remains highly exposed to currency fluctuations. Unfavorable currency movements have been a major dampener over the last few quarters, as in the case of other important MedTech players too. In the reported quarter, adverse currency translation had 0.8% negative impact on the company's top line.

▼ **Competitive Landscape:** The presence of a large number of players has made the medical devices market highly competitive. The company participates in several markets, including Cardiovascular, CRM, Endosurgery and Neuromodulation, where it faces competition from large, well-capitalized companies such as Johnson & Johnson, Abbott, Medtronic, Stryker, Smith & Nephew and Edwards Lifesciences, apart from several other smaller companies.

▼ **Difficult Solvency Structure:** Boston Scientific exited second-quarter 2020 with cash and cash equivalents of \$370 million compared with \$217 million at the end of the fourth quarter of 2019. Meanwhile, total debt came up to \$10.34 billion, a slight increase from the sequentially-last-reported figure of \$10 billion. The reported quarter's total debt was much higher than the corresponding cash and cash equivalent level indicating tough solvency position. Further, the company has current-year-payable debt of \$1 billion on its balance sheet, much higher than the present level of cash in hand. This is not good news as during the year of global pandemic when the company is facing procedural deferrals and low demand for non-COVID-19 products, it is not holding sufficient cash for debt repayment.

The quarter's total debt-to-capital of 42.8% stands at a moderately high level right now. It represents a sequential rise from 38.2% in the fourth quarter. On the other hand, the company's first-quarter interest coverage stands at 1.6%, the lowest in the past four quarters.

## Last Earnings Report

### Boston Scientific Sees Sluggish Q2 Sales Across Core Segments

Boston Scientific Corporation posted adjusted earnings per share of 8 cents for the second quarter of 2020, down 79.5% from the year-ago figure. The reported figure came in contrast to the Zacks Consensus Estimate of a loss of 4 cents per share.

The reported quarter's adjustments take into consideration certain amortization expense, Acquisition/divestitures-related net charges and impairment charges among others.

Reported loss in the second quarter was 11 cents per share against year-ago earnings per share of 11 cents.

The significant bottom-line decline indicates the severe impact of the COVID-19 outbreak on the company's global sales during the quarter. We note that the coronavirus mayhem forced the corporate sector to halt production and supply globally.

Revenues in the second quarter plunged 23.9% year over year on a reported basis, down 23.1% on an operational basis (at constant exchange rate or CER). Revenues declined 28.7% on an organic basis (adjusted for foreign currency fluctuations and certain recent acquisitions and divestments) to \$2.003 billion. The top line, however, beat the Zacks Consensus Estimate by 22.1%.

Earlier, the company was unable to provide second-quarter sales and earnings per share guidance due to the ongoing uncertainty associated with the scope and duration of the COVID-19 pandemic.

### Q2 Revenues in Detail

In the second quarter, revenues declined 28.4% in the United States on a reported basis (same operationally). Revenues declined 27.2% in the Europe, Middle East and Africa region (down 25.6%); 14.8% in the Asia Pacific zone (down 14%); 49.4% in Latin America and Canada (down 43.1%) and 19.7% in the emerging markets (down 14.6%).

### Segmental Analysis

Boston Scientific currently has three global reportable segments: Cardiovascular, Rhythm and Neuro plus MedSurg.

The company generates maximum revenues from **Cardiovascular**. Sales from its sub segments, namely Interventional Cardiology and Peripheral Interventions were \$495 million (down 28.8% year over year organically) and \$340 million (down 17.4%), respectively, in the second quarter.

Boston Scientific's **Rhythm and Neuro** business comprises Cardiac Rhythm Management (CRM), Electrophysiology and Neuromodulation. CRM reflected a 28.8% year-over-year decline in organic sales to \$351 million in the reported quarter.

Electrophysiology sales were down 38.9% year over year, organically, to \$51 million. Neuromodulation sales declined 42.6% year over year on an organic basis to \$122 million.

Other segments like Endoscopy plus Urology and Pelvic Health (under the **MedSurg** broader group) recorded sales of \$348 million (down 25.5% organically) and \$228 million (down 32.4%), respectively.

### Margins

Gross margin in the second quarter contracted 1068 basis points (bps) year over year to 60.5%. There was a 4.4% rise in the cost of products sold to \$798 million.

Selling, general and administrative expenses dropped 17.6% to \$798 million while research and development expenses declined 13.6% to \$242 million. Meanwhile, royalty expenses of \$8 million fell 52.9% year over year. Despite that, adjusted operating margin declined 1492 bps to 8.2% in the reported quarter.

### Guidance

The uncertainties regarding the duration and impact of the coronavirus pandemic on the company's overall business had earlier compelled Boston Scientific to suspend its previously-issued 2020 financial guidance. This time too, the company could not come out with any update on its full-year guidance.

Quarter Ending	06/2020
Report Date	Jul 29, 2020
Sales Surprise	22.07%
EPS Surprise	300.00%
Quarterly EPS	0.08
Annual EPS (TTM)	1.21

## Recent News

### Boston Scientific's Voraxaze's MAA Accepted by EMA for Review: Aug 17, 2020

Boston Scientific's business arm, BTG Specialty Pharmaceuticals, announced the acceptance of its Marketing Authorisation Application (MAA) review plea for Voraxaze (glucarpidase) by the European Medicines Agency (EMA). The review application has been submitted with the aim of seeking marketing authorization of Voraxaze to treat adults and children (from 28 days of age) who are at risk of methotrexate toxicity due to a delay in methotrexate elimination.

### FDA Approval for WATCHMAN FLX: Jul 21, 2020

Boston Scientific announced that it has received the FDA approval for the WATCHMAN FLX Left Atrial Appendage Closure (LAAC) Device.

### FDA Approval for New ICM: Jun 29, 2020

Boston Scientific announced the receipt of the FDA's 510(k) clearance for its LUX-Dx Insertable Cardiac Monitor System.

### New CMS Approval in Endoscopy: Jun 8, 2020

Boston Scientific announced the receipt of the Centers for Medicare & Medicaid Services' (CMS) approval for its application regarding a transitional pass-through (TPT) payment category for single-use endoscopes under the Medicare hospital outpatient prospective payment system.

### Launches New Monitoring Tool in RF Energy Delivery: Jun 1, 2020

Boston Scientific announced the U.S. launch of its tool for monitoring the effect of radiofrequency (RF) energy delivery, the DIRECTSENSE Technology, following its FDA approval in April.

## Valuation

Boston Scientific shares are down 14.9% and down 10.8% in the year to date period and the trailing 12-month period, respectively. Stocks in the Zacks sub-industry are down 1.9% while the Zacks Medical sector is up 0.6% in the year to date period. Over the past year, the Zacks sub-industry is down 3% and sector is up 8.1%.

The S&P 500 index is up 3% in the year to date period and up 11.4% in the past year.

The stock is currently trading at 26.4X Forward 12-months earnings, which compares to 28.4X for the Zacks sub-industry, 21.8X for the Zacks sector and 21.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.5X and as low as 14.2X, with a 5-year median of 20.9X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$41 price target reflects 28.1X forward 12-months earnings.

The table below shows summary valuation data for BSX.

Valuation Multiples - BSX					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	26.36	28.43	21.81	21.85
	5-Year High	32.51	31.01	23.19	23.44
	5-Year Low	14.22	17.09	15.89	15.26
	5-Year Median	20.87	20.34	19.01	17.63
P/S F12M	Current	4.84	3.85	2.81	4.04
	5-Year High	5.89	3.92	3.25	4.29
	5-Year Low	2.67	2.9	2.24	3.11
	5-Year Median	4.12	3.3	2.89	3.66
P/B TTM	Current	3.45	3.16	3.93	5.7
	5-Year High	6.9	3.48	5.07	6.17
	5-Year Low	2.59	2.2	2.95	3.75
	5-Year Median	5.16	2.84	4.29	4.84

As of 09/18/2020



## Industry Analysis Zacks Industry Rank: Bottom 31% (174 out of 251)



## Top Peers

Company (Ticker)	Rec	Rank
Hologic, Inc. (HOLX)	Outperform	1
Abbott Laboratories (ABT)	Neutral	3
BioRad Laboratories, Inc. (BIO)	Neutral	2
DexCom, Inc. (DXCM)	Neutral	3
JohnsonJohnson (JNJ)	Neutral	4
Medtronic PLC (MDT)	Neutral	3
Baxter International Inc. (BAX)	Underperform	4
SmithNephew SNATS, Inc. (SNN)	Underperform	4

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

Industry Comparison Industry: Medical - Products				Industry Peers		
	BSX	X Industry	S&P 500	ABT	BAX	MDT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	C	-	-	C	A	D
Market Cap	55.05 B	373.94 M	23.70 B	189.20 B	42.00 B	144.64 B
# of Analysts	12	3	13	10	11	14
Dividend Yield	0.00%	0.00%	1.63%	1.35%	1.18%	2.16%
Value Score	C	-	-	C	B	C
Cash/Price	0.03	0.13	0.07	0.03	0.10	0.09
EV/EBITDA	27.51	-0.24	13.12	26.07	23.63	19.78
PEG F1	3.65	4.13	2.93	2.97	2.79	3.51
P/B	3.45	3.25	3.26	6.14	5.15	2.87
P/CF	16.01	18.85	12.78	21.42	16.70	16.26
P/E F1	39.67	38.78	21.44	32.65	27.18	27.24
P/S TTM	5.42	5.35	2.49	6.02	3.68	5.18
Earnings Yield	2.52%	-0.54%	4.44%	3.06%	3.68%	3.67%
Debt/Equity	0.59	0.09	0.70	0.59	0.74	0.45
Cash Flow (\$/share)	2.40	-0.00	6.94	4.99	4.97	6.62
Growth Score	D	-	-	C	B	F
Historical EPS Growth (3-5 Years)	11.21%	10.79%	10.42%	10.55%	NA	3.21%
Projected EPS Growth (F1/F0)	-38.50%	3.31%	-4.74%	1.02%	-7.77%	-13.93%
Current Cash Flow Growth	12.08%	4.32%	5.29%	4.54%	4.10%	-9.02%
Historical Cash Flow Growth (3-5 Years)	10.33%	7.71%	8.50%	11.80%	-6.10%	7.68%
Current Ratio	1.87	2.99	1.35	1.57	2.97	1.87
Debt/Capital	37.27%	13.58%	42.92%	37.12%	42.60%	31.19%
Net Margin	39.18%	-24.71%	10.26%	9.89%	8.10%	15.80%
Return on Equity	12.86%	-8.55%	14.69%	17.34%	20.75%	10.47%
Sales/Assets	0.34	0.52	0.51	0.46	0.62	0.30
Projected Sales Growth (F1/F0)	-6.50%	0.00%	-1.42%	3.05%	0.38%	0.71%
Momentum Score	A	-	-	B	A	D
Daily Price Change	-3.00%	0.00%	-1.15%	0.19%	0.79%	-0.19%
1-Week Price Change	-2.87%	0.00%	-1.90%	0.52%	0.97%	-0.92%
4-Week Price Change	-0.98%	-1.32%	0.06%	5.15%	0.10%	7.30%
12-Week Price Change	13.54%	-1.59%	7.27%	19.24%	-2.77%	21.09%
52-Week Price Change	-10.64%	0.00%	0.33%	28.39%	-5.13%	-3.07%
20-Day Average Volume (Shares)	6,991,835	198,793	1,916,343	6,588,354	2,785,083	4,781,261
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	-0.09%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.40%	0.00%	14.68%
EPS F1 Estimate 12-Week Change	7.59%	3.54%	4.12%	16.39%	-7.29%	12.72%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	6.76%

Source: Zacks Investment Research



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## 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.

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### Zacks Style Scores

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

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

Value Score	C
Growth Score	D
Momentum Score	A
VGM Score	C

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

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## Disclosures

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**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.

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**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.

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**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.

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**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.