Conagra Brands (CAG)

$37.13 (As of 09/04/20)

Price Target (6-12 Months): **$39.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 03/25/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:B
	Value: C | Growth: A | Momentum: F	

Summary

Conagra has outperformed the industry in the past three months. The company has been benefiting from the rising demand amid the coronavirus-led stockpiling and increased at-home consumption. These trends drove the company's retail business in fourth-quarter fiscal 2020, wherein top and bottom lines grew year over year and beat the consensus mark. Also, organic sales surged, and are likely to jump in the first quarter, thanks to the pandemic-led demand. Fourth-quarter sales were backed by solid e-commerce business, strong consumer trials, robust repeat sales and initial launches of fiscal 2021 planned innovation. However, soft restaurant traffic weighed on Conagra's Foodservice unit, which continued to see lower demand in the first quarter (till Jun 30). Also, inflated input costs and higher COVID-19-related costs pose threats to margins.

Price, Consensus & Surprise

Source: Zacks Investment Research

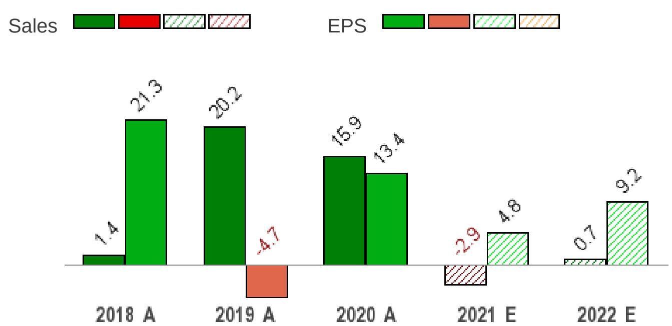
Data Overview

52-Week High-Low	**$39.34 - $22.83**
20-Day Average Volume (Shares)	**2,409,010**
Market Cap	**$18.1 B**
Year-To-Date Price Change	**8.4%**
Beta	**0.85**
Dividend / Dividend Yield	**$0.85 / 2.3%**
Industry	**Food - Miscellaneous**
Zacks Industry Rank	**Top 49% (123 out of 251)**

Last EPS Surprise	**10.3%**
Last Sales Surprise	**2.1%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**10/01/2020**
Earnings ESP	**0.0%**

P/E TTM	**16.3**
P/E F1	**15.5**
PEG F1	**2.2**
P/S TTM	**1.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	2,561 E	2,956 E	2,703 E	2,570 E	10,809 E
2021	2,611 E	2,937 E	2,656 E	2,534 E	10,731 E
2020	2,391 A	2,821 A	2,555 A	3,288 A	11,054 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.58 E	$0.78 E	$0.66 E	$0.59 E	$2.61 E
2021	$0.57 E	$0.72 E	$0.58 E	$0.53 E	$2.39 E
2020	$0.43 A	$0.63 A	$0.47 A	$0.75 A	$2.28 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 09/04/2020. The reports text is as of 09/07/2020.

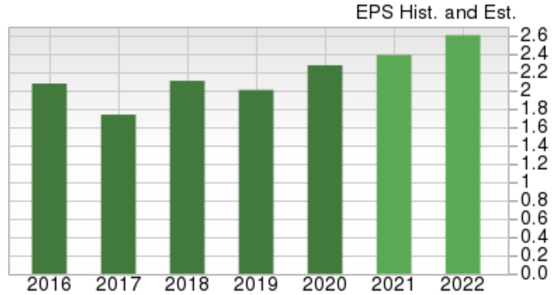
Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

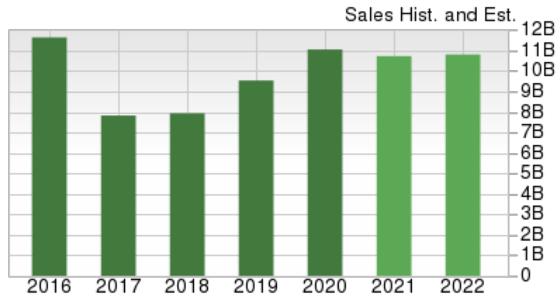
© 2020 Zacks Investment Research, All Rights Reserved

10 S. Riverside Plaza Suite 1600 · Chicago, IL 60606

Overview

Chicago-based Conagra Brands, Inc. (CAG) is one of the leading branded food company of North America. The company offers premium edible products, with refined focus on innovation.





The company maintains a highly dynamic product portfolio and incorporates alterations within it as per the preference pattern of the end-users. Some iconic brands of the company are Reddi-Wip, Hunt's, Healthy Choice, Frontera, Slim Jim, Blake's and Marie Callender.

Conagra currently reports results in the following segments:

Grocery & Snacks (44.8% of fourth-quarter fiscal 2020 sales): This unit incudes branded, shelf stable food products sold in several retail channels in the United States.

Refrigerated & Frozen (41.2% of fourth-quarter fiscal 2020 sales): This comprises branded, temperature-controlled food products sold in many retail channels in the United States.

International (8.1% of fourth-quarter fiscal 2020 sales): The segment takes care of branded food products, in various temperature states, offered to various retail and foodservice channels outside the United States.

Foodservice (5.9% of fourth-quarter fiscal 2020 sales): The segment includes branded and customized food products, such as meals, entrees, sauces and a wide assortment of custom-made culinary products packaged for sale to restaurants and other foodservice setups in the United States.

Conagra acquired Pinnacle Foods in October 2018. Further, the company took over Sandwich Bros. in February 2018, which forms part of Conagra's Refrigerated and Frozen segment.

In October 2017, Conagra acquired Angie's Artisan Treats, LLC, which is a part of its Grocery & Snacks business. This segment also includes Thanasi Foods and BIGS LLC, which were acquired in April 2017.

In September 2016, Conagra bought the assets of Frontera Foods, Inc. and Red Fork LLC.

Source: Zacks Investment Research

Reasons To Buy:

> Brand modernizing moves, stronger innovation and meaningful buyouts are driving Conagra's performance. Coronavirus-led increased demand is also aiding the company's retail business.

- **Solid Q4 Results & Guidance, Stock Outperforms:** Shares of Conagra have gained 10.1% in the past three months compared with the industry's growth of 2.8%. The company has been benefiting from the rising demand amid coronavirus-led stockpiling of essential items and increased at-home consumption. These trends also drove Conagra in fourth-quarter fiscal 2020, with both top and bottom lines surging year over year and beating the Zacks Consensus Estimate. Results were backed by increased organic sales, which in turn benefited from higher at-home consumption amid the pandemic, driving Conagra's retail business. This also helped the company offset softness in the Foodservice segment, wherein sales fell due to COVID-19.

  Sales were backed by solid e-commerce business, considerable consumer trials, robust repeat sales and initial launches of fiscal 2021 planned innovation. Notably, sales grew across Staples, Frozen and Snacks categories. Also, the share of e-commerce sales as part of overall sales increased, reflecting that the company's focus on enhancing e-commerce capacity is yielding results. Apart from this, an additional week aided the performance. The company continued to see a considerable increase in demand in the retail business in the first quarter of fiscal 2021 (till Jun 30). Considering all factors and assuming a smooth supply chain, management expects organic sales growth of 10-13% in the first quarter of fiscal 2021. Adjusted operating margin is likely to be 17-17.5% while adjusted EPS is envisioned between 54 cents and 59 cents. Additionally, management reiterated its targets for fiscal 2022. Organic net sales are anticipated to grow 1-2% (three-year CAGR ending fiscal 2022). Adjusted operating margin is expected in a range of 18-19% and adjusted EPS for fiscal 2022 is likely to range between $2.66 and $2.76.

- **Pinnacle Foods' Buyout Aids:** Conagra acquired Pinnacle Foods in October 2018. The combination of the two companies is appropriate, given the increasing demand for frozen foods and snacks. The consolidation of these food companies has helped to create a robust portfolio of leading, iconic and on-trend brands. Further, the move is aiding to speed up innovation and exploit the long-term benefits in the frozen foods space. Notably, management has been boosting some of the Pinnacle Foods business banners, especially the Gardein brand, which holds a solid position in the plant-based meat-alternatives food space.

  Conagra is on track with the integration process of the buyout as well as realizing synergies from the same. The company has generated total synergies of $184 million from Pinnacle Foods' buyout, as of the end of fiscal 2020 – surpassing the goal of $180 million. The buyout is likely to continue boosting the company's performance in the forthcoming periods. Notably, the company continues to expect synergies of roughly $305 million through fiscal 2022.

- **Efforts to Boost Frozen & Snacks Categories:** Conagra has been focused on boosting the Frozen and Snacks businesses. In the fourth quarter of fiscal 2020, both businesses performed well, especially Frozen. During the quarter, total Conagra Frozen retail sales rallied 26.2%, with strength in each category such as single serve meals, multi-serve meals, vegetables and plant-based meat alternatives. Frozen has indeed picked up more pace in the current situation, wherein the pandemic has caused consumers to stock up and eat at home. Snacks business sales gained 20.1% despite certain headwinds associated with COVID-19. The quarter also saw a robust Staples business performance, thanks to the pandemic-led demand. Staples business sales advanced a solid 46.3%.

- **Financial Profile:** Conagra's senior long-term debt (including subordinate debt) of about $8,900 million declined 2.1% sequentially at the end of the fourth quarter of fiscal 2020 — May 31, 2020. Also, the company recently obtained a three-year senior unsecured term loan worth $600 million, which remains undrawn. Apart from this, the company has an undrawn revolving credit facility of $1.6 billion. Notably, Conagra is on track with its de-leveraging goals and has lowered its total gross debt by more than $1.8 billion since it concluded Pinnacle Foods' buyout through the fourth-quarter-end. As of the end of fourth-quarter fiscal 2020, the company's net debt to last twelve month's adjusted EBITDA ratio (or Leverage Ratio) was 4.0X, better than 4.8X as of the end of the third quarter. Management expects to achieve its 3.5X-3.6X target by the end of fiscal 2021.

  Additionally, at a juncture where several companies had to suspend dividend payments to preserve financial flexibility amid the pandemic, Conagra declared a quarterly dividend of 21.25 cents per share on Jul 24. This clearly speaks of the company's healthy financial position. Notably, Conagra has a dividend payout of 37.3%, dividend yield of 2.3% and free cash flow yield of 8.2%. With an annual free cash flow return on investment of 5.2%, the dividend payment is likely to be sustainable.

Reasons To Sell:

Conagra continues to struggle with input cost inflation. Also, high COVID-19 related costs and adverse currency movements are concerns.

- **Soft Foodservice Segment:** While coronavirus-led increased at-home trends have boosted Conagra's retail business, the same has dealt a blow to its Foodservice segment. Incidentally, quarterly sales in the segment declined 27.9% year over year to $192.7 million due to Sold Businesses and lower organic sales. The extra week offered partial respite. Organic sales fell 31.5%, with volumes down 34.2% but price/mix up 2.7%. Volumes were hurt by reduced restaurant traffic amid the pandemic. The segment also recorded a considerable fall in operating profit due to soft sales, the related adverse fixed cost leverage, higher input costs and elevated inventory write-offs. Further, in the first quarter of fiscal 2021 (till Jun 30), demand for foodservice products continued to be lower than the pre-pandemic level.

- **Input Cost Inflation a Worry:** Escalated input costs have been a threat to Conagra for a while. During the fourth quarter of fiscal 2020, though the gross margin improved year over year, it continued to be hurt by input cost inflation. Also, adjusted SG&A (excluding A&P) escalated 5.7% to $308 million due to higher incentive compensation expenses. Further, the company saw high costs associated with COVID-19, including investments in employees' safety, bonuses for supply-chain workers and other costs related to catering to the burgeoning demand. These costs continued in first-quarter fiscal 2021 (till Jun 30). We believe that such factors can pose threats to margins.

- **Currency Volatility:** Conagra's international presence keeps the company exposed to the risk of adverse currency fluctuations. In fourth-quarter fiscal 2020, currency translations weighed on sales by 0.7%. In the International segment, net sales included an 8.4% adverse impact from adverse currency fluctuations. Volatile currency movements remain a threat to Conagra's performance.

- **Divestiture Impacts:** During the fourth quarter of fiscal 2020, Conagra's sales growth included a 310-bp headwind from divestiture of Sold Businesses. The Sold Businesses include the divested businesses of Direct Store Delivery (DSD) snacks, Gelit, Lender's Bagel and Wesson oil along with the exited private-label peanut butter business. Nonetheless, these impacts are expected to lessen sequentially, as and when the company completes a year of closing them.

Last Earnings Report

Conagra Q4 Earnings & Sales Top Estimates, Rise Y/Y

Quarter Ending	05/2020
Report Date	Jun 30, 2020
Sales Surprise	2.12%
EPS Surprise	10.29%
Quarterly EPS	0.75
Annual EPS (TTM)	2.28

Conagra Brands posted robust fourth-quarter fiscal 2020 results, wherein adjusted earnings came in at 75 cents, which surpassed the Zacks Consensus Estimate of 68 cents. Moreover, the figure jumped significantly from adjusted earnings of 36 cents reported in the year-ago quarter. The year-over-year growth can be attributable to increased adjusted net income, which in turn benefited from higher sales volume and the related profit. Adjusted EPS was somewhat affected by greater shares outstanding.

Conagra generated net sales of $3,287.9 million, which advanced 25.8% year over year and beat the Zacks Consensus Estimate of $3,185 million. The year-over-year sales growth was backed by higher organic sales and the impact of an additional week, partly offset by the divestiture of Sold Businesses and adverse currency movements. Organic sales grew 21.5% on higher volumes and favorable price/mix. Volumes were aided by elevated at-home consumption amid the coronavirus pandemic, which in turn boosted Conagra's retail business but hurt the Foodservice segment. Also, price/mix was favorable in the quarter.

Adjusted gross profit jumped 31.1% to $929 million on account of higher sales volume, productivity related to supply chain, improved price/mix, the impact of an additional week and cost synergies from Pinnacle Foods' buyout. These were somewhat countered by inflated input costs and costs associated with COVID-19, including investments in employees' safety, bonuses for supply-chain workers and other costs related to catering to the burgeoning demand.

Segmental Details

Grocery & Snacks: Quarterly sales in the segment came in at $1,474.1 million, which soared 44.1% year over year owing to higher organic sales and impact of an additional week, partially hurt by divestiture of Sold Businesses. Organic sales increased 40.4% with volumes and price/mix up 38% and 2.4%, respectively. Volumes rose across several categories owing to consumers' higher at-home consumption amid coronavirus.

Refrigerated & Frozen: Net sales advanced 23.3% to $1,355.4 million due to the same factors that drove the Grocery & Snacks segment's sales. Organic sales rose 17.6%, with volumes up 17.8% but price/mix down 0.2%. COVID-19-related higher consumption at home boosted volumes across multiple categories.

International: Net sales improved 18.6% to $265.7 million on account of higher organic sales and impact of a 53rd week, offset by unfavorable currency movements. On an organic basis, net sales rose 19.8%, as volumes grew 18% and price/mix was up 18%. This was again backed by higher demand amid the pandemic. The company's Canadian, Mexican and export businesses witnessed considerable growth in volumes, though India saw soft volumes due to country-wide store and plant closures.

Foodservice: Quarterly sales in the segment declined 27.9% year over year to $192.7 million due to Sold Businesses and lower organic sales. The extra week offered partial respite. Organic sales fell 31.5%, with volumes down 34.2% but price/mix up 2.7%. Volumes were hurt by reduced restaurant traffic amid the pandemic.

Other Financial Fundamentals & Guidance

Conagra exited the quarter with cash and cash equivalents of $553.3 million, senior long-term debt (excluding current portion) of $8,900.8 million and total stockholders' equity of $7,950.7 million. During fiscal 2020, the company generated net cash of $1,842.6 million from operating activities. During the quarter, Conagra paid out a quarterly dividend of 21.25 cents per share. The company is on track with its de-leveraging goals and has lowered its total gross debt by more than $1.8 billion since it concluded Pinnacle Foods' buyout through the fourth-quarter-end. As of the end of fiscal 2020, the company's net debt to last twelve month's adjusted EBITDA ratio (or Leverage Ratio) was 4.0x. Management expects to achieve its 3.5x-3.6x target by the end of fiscal 2021.

Management remains uncertain about the impact of coronavirus on Conagra's fiscal 2021 performance. The company expects retail and foodservice demand to return to their normal levels as the year proceeds, though it remains unsure about the exact degree and timing. Management did not offer any guidance for fiscal 2021. Nonetheless, the company continued to see a considerable increase in demand in the retail business in the first quarter of fiscal 2021, to date. Demand for foodservice products continues to be lower than the pre-pandemic level. Additionally, costs associated with the pandemic have been impacting Conagra's business.

Considering these factors and assuming a smooth supply chain, management expects organic sales growth of 10-13% in the first quarter of fiscal 2021. Adjusted operating margin is likely to be 17-17.5% while adjusted EPS is envisioned between 54 cents and 59 cents. Apart from this, management reiterated its targets for fiscal 2022. Organic net sales are anticipated to grow 1-2% (three-year CAGR ending fiscal 2022). Adjusted operating margin is expected in a range of 18-19% and adjusted EPS for fiscal 2022 is likely to range between $2.66 and $2.76.

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

Recent News

Conagra Brands Declares Dividend – Jul 24, 2020

Conagra Brands has declared quarterly cash dividend of 21.25 cents per share. This will be payable on Sep 3, 2020 to shareholders of record as on Aug 4.

Conagra Continues to Reward Workers Amid Coronavirus – May 18, 202

Conagra Brands remains committed to employee protection, as part of which it announced plans to offer another round of cash bonuses to eligible workers. The company said that it will pay incremental cash bonus worth $7 million to employees at each of its production and distribution center in the United States, Canada and Mexico.

Prior to this, the company announced cash bonuses for all eligible employees toward the end of March. Management is impressed with its workforce, especially the supply chain workers at its food production and distribution centers. Further, these moves reflect the company's focus on rewarding its employees as they are working hard amid the coronavirus-led crisis to cater to the growing demand for food.

Conagra Brands Announces Cash Bonus – March 27, 2020

Conagra Brands will give cash bonuses to employees at each of the company's production and distribution facilities in the U.S., Canada and Mexico. At the company's more than 50 facilities, full-time employees in the U.S. will receive $500 and part-time employees will receive $250, with similar amounts provided to employees in Canada and Mexico. This in recognition of efforts during the COVID-19 pandemic.

Valuation

Conagra shares are up 10.4% in the year-to-date period and 31% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 0.5%, while the Zacks Consumer Staples sector declined 3.7% in the year-to-date period. Over the past year, the Zacks sub-industry went up 5.2% while the sector declined 1.6%.

The S&P 500 index is up 3.4% in the year-to-date period and 12.8% in the past year.

The stock is currently trading at 15.14X forward 12-month earnings, which compares to 19.23X for the Zacks sub-industry, 20.3X for the Zacks sector and 22.86X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.24X and as low as 9.43X, with a 5-year median of 16.55X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $39 price target reflects 15.9X forward 12-month earnings.

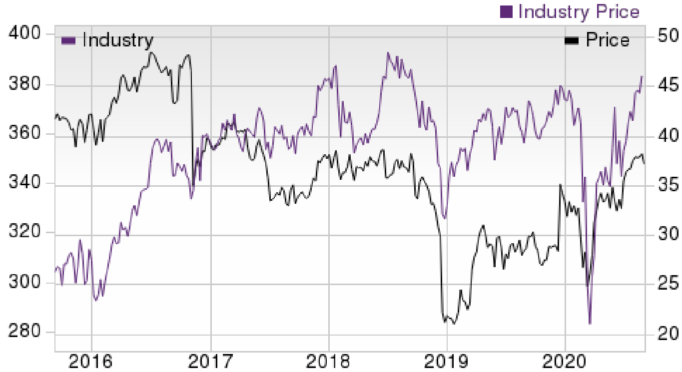
The table below shows summary valuation data for CAG

Valuation Multiples - CAG

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.14	19.23	20.3	22.86
	5-Year High	23.24	22.9	22.37	22.86
	5-Year Low	9.43	14.82	16.63	15.25
	5-Year Median	16.55	18.54	19.62	17.6
P/S F12M	Current	1.69	1.73	9.66	4.19
	5-Year High	2.32	2.05	11.15	4.19
	5-Year Low	0.96	1.41	8.12	2.53
	5-Year Median	1.61	1.74	9.89	3.07
EV/EBITDA F12M	Current	12	13.09	35.49	12.8
	5-Year High	13.86	14.65	37.49	14.14
	5-Year Low	7.93	10.92	25.79	9.05
	5-Year Median	11.71	13.18	33.84	11.03

As of 09/04/2020

Industry Analysis **Zacks Industry Rank:** Top 49% (123 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
BRF S.A. **(BRFS)**	Neutral	3
Campbell Soup Company **(CPB)**	Neutral	3
Kellogg Company **(K)**	Neutral	3
The J. M. Smucker Company **(SJM)**	Neutral	3
Tingyi Cayman Islands Holdings Corp. **(TCYMF)**	Neutral	3
Ajinomoto Co. **(AJINY)**	NA	NA
Kerry Group PLC **(KRYAY)**	NA	NA
Seaboard Corporation **(SEB)**	NA	NA

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

Industry Comparison Industry: Food - Miscellaneous

Industry Peers

	CAG	X Industry	S&P 500	CPB	GIS	SJM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	3	3
VGM Score	B	-	-	A	B	A
Market Cap	18.14 B	4.18 B	23.38 B	14.38 B	38.58 B	13.41 B
# of Analysts	8	3	14	7	8	7
Dividend Yield	2.29%	0.00%	1.62%	2.94%	3.10%	3.06%
Value Score	C	-	-	B	C	C
Cash/Price	0.03	0.08	0.07	0.08	0.04	0.03
EV/EBITDA	14.35	12.84	13.13	12.84	13.06	10.64
PEG F1	2.22	4.22	2.96	1.97	2.39	6.28
P/B	2.27	2.48	3.22	5.57	4.61	1.61
P/CF	12.02	12.29	12.65	12.55	13.75	9.27
P/E F1	15.54	18.83	21.59	16.31	17.91	13.57
P/S TTM	1.64	1.61	2.44	1.65	2.19	1.68
Earnings Yield	6.44%	5.06%	4.42%	6.14%	5.59%	7.37%
Debt/Equity	1.12	0.56	0.70	2.01	1.31	0.56
Cash Flow ($/share)	3.09	2.81	6.93	3.79	4.59	12.68
Growth Score	A	-	-	B	A	A
Historical EPS Growth (3-5 Years)	-2.26%	5.17%	10.41%	-2.14%	3.19%	8.16%
Projected EPS Growth (F1/F0)	4.99%	3.71%	-4.75%	-1.12%	-2.32%	-1.08%
Current Cash Flow Growth	22.57%	3.40%	5.22%	-12.42%	9.11%	-2.78%
Historical Cash Flow Growth (3-5 Years)	4.34%	6.08%	8.49%	0.50%	3.48%	11.88%
Current Ratio	0.88	1.62	1.35	0.84	0.68	0.96
Debt/Capital	52.82%	36.13%	42.95%	66.79%	56.69%	35.90%
Net Margin	7.60%	2.97%	10.25%	18.73%	12.37%	10.78%
Return on Equity	14.38%	9.81%	14.59%	42.74%	27.66%	13.28%
Sales/Assets	0.49	1.02	0.50	0.70	0.58	0.48
Projected Sales Growth (F1/F0)	-2.92%	0.00%	-1.42%	-5.03%	-2.81%	0.81%
Momentum Score	F	-	-	A	D	C
Daily Price Change	-0.75%	0.00%	-0.30%	-1.96%	0.29%	-0.57%
1-Week Price Change	0.90%	0.86%	2.59%	-0.76%	-0.98%	6.74%
4-Week Price Change	-0.91%	0.99%	2.00%	-4.61%	-1.60%	6.59%
12-Week Price Change	16.69%	10.60%	10.57%	-0.81%	4.24%	10.60%
52-Week Price Change	30.51%	2.87%	1.69%	6.63%	16.60%	12.30%
20-Day Average Volume (Shares)	2,409,010	187,880	1,827,096	1,846,837	2,209,773	939,791
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	1.05%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	1.25%	0.07%	5.59%
EPS F1 Estimate 12-Week Change	3.79%	3.10%	3.89%	2.32%	1.15%	5.40%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.95%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	A
Momentum Score	F
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.

Disclosures

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

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

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

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

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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