

Cracker Barrel (CBRL)

\$120.04 (As of 10/15/20)

Price Target (6-12 Months): **\$126.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/02/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: B

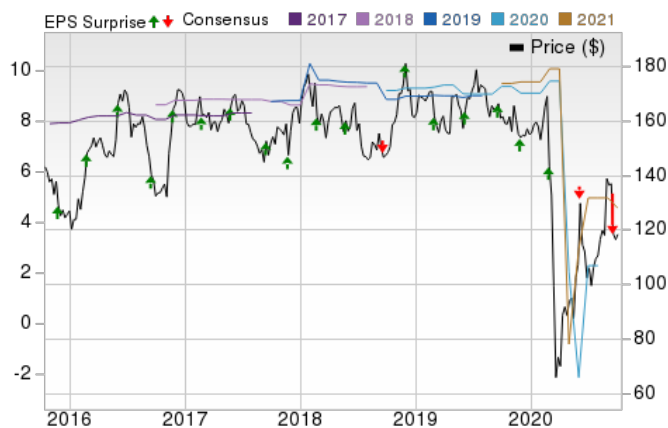
Growth: B

Momentum: C

Summary

Shares of Cracker Barrel have underperformed the industry, so far this year. The dismal performance can be primarily attributed to the coronavirus pandemic. Owing to the crisis, the company's operations were significantly impacted by factors such as capacity restrictions, jurisdictional regulations and state of economy reopenings. Notably, it expects the pandemic scenario to continue for the foreseeable future. Also, higher labor costs and decline in traffic are likely to dent profits in the days ahead. Meanwhile, earnings estimates for 2021 have moved down over the past 30 days. However, increased focus on menu innovation, marketing strategies, seasonal promotions and cost-cutting efforts are likely to aid the company. Also, reopening of dining services is likely to drive the top line in the days ahead.

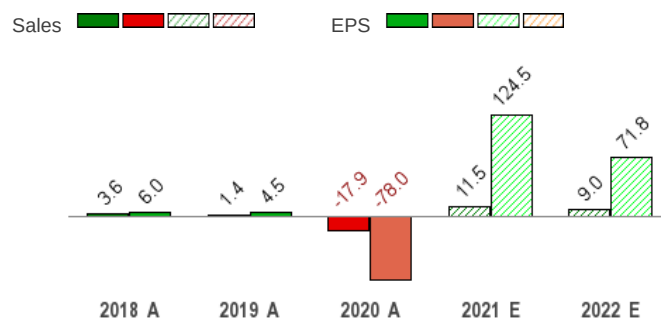
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$170.10 - \$53.61
20-Day Average Volume (Shares)	372,446
Market Cap	\$2.8 B
Year-To-Date Price Change	-21.9%
Beta	1.24
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Restaurants
Zacks Industry Rank	Top 31% (80 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-54.6%
Last Sales Surprise	2.4%
EPS F1 Estimate 4-Week Change	-0.5%
Expected Report Date	11/24/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					3,066 E
2021	620 E	755 E	682 E	755 E	2,814 E
2020	749 A	846 A	433 A	495 A	2,523 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.92 E	\$2.59 E	\$1.67 E	\$2.15 E	\$7.87 E
2021	\$0.07 E	\$1.32 E	\$1.31 E	\$2.01 E	\$4.58 E
2020	\$2.15 A	\$2.70 A	-\$6.81 A	-\$0.85 A	\$2.04 A

*Quarterly figures may not add up to annual.

P/E TTM	54.8
P/E F1	26.3
PEG F1	2.6
P/S TTM	1.1

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/15/2020. The reports text is as of 10/16/2020.

Overview

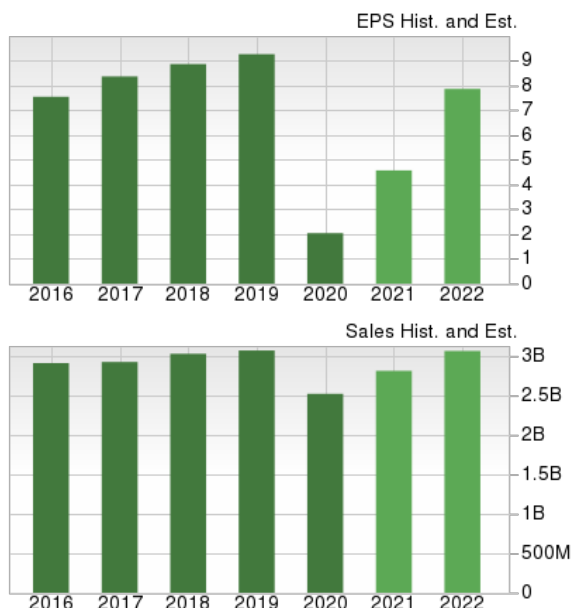
Based in Lebanon, TN and founded in 1969, Cracker Barrel Old Country Store, is engaged in the ownership and operation of full service restaurants with a restaurant and a retail store in the same unit. The restaurants serve home-style country food including meatloaf, homemade chicken n' dumplings as well as its signature biscuits using an old family recipe. Meanwhile, the retail stores offer unique gifts and self-indulgences.

The company operates through two brands of restaurants – “Cracker Barrel Old Country Store” and “Holler & Dash Biscuit House”. The company also owns fast-casual Holler and Dash restaurants. As of Jun 2, 2020, there were 664 company-owned Cracker Barrel stores in 45 states across the United States.

On Oct 10, 2019, the company acquired Maple Street Biscuit Company (“MSBC”). As of Jan 31, 2020, MSBC had 28 company-owned and five franchised fast casual locations across seven states. As of Jan 31, the company started converting its existing six Holler & Dash Biscuit House™ locations (“Holler & Dash”) into MSBC locations. The Holler & Dash locations operate in the same states as MSBC. The company plans to covert all Holler & Dash units into Maple Street locations in the upcoming months.

Although Cracker Barrel currently manages its business on the basis of one reportable operating segment, total revenues of the company is reportedly divided into two product lines — Restaurant (83.3% of total revenues in third-quarter fiscal 2020) and Retail (16.7%).

The company’s restaurants provide home-style country cooking featuring its own recipes and serves breakfast, lunch and dinner.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Re-Opening Of Dining Rooms to Drive Top Line:** Re-opening of dining rooms is driving the top line. In fourth-quarter fiscal 2020, comparable restaurant sales declined 39.2%, improving from down 59% in May to down 28.2% in July. Management announced that sales improvement has continued in the fiscal 2020. It is also witnessing sales improvement at stores with open dining rooms. Further, demand for off-premise dining remains robust. Moreover, in a bid to support the re-openings, the company has transitioned to a new menu offering greater variety compared to the limited menu of its off-premise only stores.

Enhanced marketing efforts, seasonal promotions as well as unit growth bode well for the top line. Moreover, cost cutting efforts might aid in margin expansion.

▲ **Relentless Focus on Menu Innovation & Expansion:** Cracker Barrel is continuously focusing on rejuvenating its menu, which serves as the backbone of the company's riveting growth potential. The company's in-store menu feature Fried Chicken Benedict bowl, a Ham n' Maple Bacon bowl as well as a Sausage, Grits Cakes and Green Tomato Gravy bowl. Also, in the past year, Cracker Barrel completed the rollout of crafted coffee. The company believes that the platform will complement the strength of its breakfast all day offering, drive check favorability and promote guest perceptions of menu variety. The company's current menu promotion centered around Cracker Barrel homestyle favorites such as chicken and dumplings, country fried steak and Grandma's Sampler. Moreover, it plans to strengthen the dinner daypart by introducing new signature craveable items. The initiative is likely to simplify the menu to increase consistency and execution, and provide a more optimized menu.

During the third quarter, the company introduced offerings such as Chicken Pot Pie and Saturday Fried Pork Chops. Notably, it is appropriately balancing its menu breadth with labor productivity and food waste amid depressed traffic levels. Moreover, the company initiated the addition of beer and wine tableside beverage program. Apart from limited beer and wine selection, it is featuring popular orange and strawberry moses. Currently, with offerings in approximately 20 stores, the company looks forward to expand on the back of positive customer response.

Cracker Barrel's continuous expansion strategies are also helping the company to drive growth. In fiscal 2018, the company unveiled its first California location. Further, it opened one Holler & Dash location in Charlotte, NC. In fiscal 2019, the company have opened eight restaurants. Post the acquisition of Maple Street Biscuit Company in October 2019, the company subsequently converted its Holler & Dash units into Maple Street locations. With one opening in fiscal 2020, the total number of company-owned Maple units under operation came in at 35. Nevertheless, the company anticipates opening three new Cracker Barrel stores and up to 15 new Maple Street units in fiscal 2021.

▲ **Sales-Building Initiatives:** In a bid to address the challenges of the competitive restaurant industry, Cracker Barrel undertakes extensive marketing efforts, mainly focusing on the brand's differentiation, menu offering and its value. In order to drive traffic, Cracker Barrel relies heavily on seasonal promotions and limited-time offers to boost its top-line performance as they are appealing to both regular users and less-frequent guests.

▲ **Off-Premise sales Hold Key:** The company aims to meet consumers' need for convenience via growth in its off-premise business. In fact, it plans to enhance its off-premise platform by introducing catering menu offering and in-store training of hourly employees. In fiscal 2019, off-premise sales (as a percentage of total revenues) increased 150 basis points year over year. Due to the pandemic, off-premise sales have increased sharply and is expected to remain elevated in fiscal 2021 too. Further, management will continue to invest in its product line-up for improving guest experience and employee training to support long-term plans within this space.

The company continues to focus on off-premise initiatives, such as curbside delivery, third-party delivery, family meal baskets. It also continues to invest in technology initiatives to enhance guests experience. To this end, the company plans to roll out Pay in App that allows contactless payments via mobile devices. It is also initiating the launch of digital store that enhances customer experience for ordering food and retail. Notably, investments in this direction are likely to boost its hospitality service along with customer experience in a brand new way. Moreover, during the fourth-quarter fiscal 2020 conference call, the company announced that it will be testing two new off-premise formats — Grab-and-Go and a dedicated catering kitchen.

▲ **Cost Cutting Efforts:** Cracker Barrel has an effective cost-cutting mechanism in place. The company undertakes various measures to keep costs under control. Currently, the company is carrying out its cost-saving plan through its two prime initiatives — food waste and labor management. The company changed the structure in its retail sales and service functions and now cross-trains its retail sales associate and cashier positions. This system-wide change allows it to deploy fewer associates during the outlet's low volume hours, thereby reducing store hourly labor by 25–30 hours per week. The company believes that this initiative will be a significant contributor to its cost savings. Cracker Barrel also introduced a new food management program that includes back of the house process improvements, additional focus on food reporting and analytics as well as a new food auditing process. This program resulted in savings in the restaurants' cost of goods sold. On the utility front, the company has undertaken the implementation of LED lighting, which is being installed on the exterior of its stores. This is improving energy efficiencies and driving cost favorability. Notably, the company expects costs savings of approximately \$50 million, over the long term.

▲ **Enough Liquidity to Tide Over Coronavirus Crisis:** As of Jul 31, 2020, the company has cash and cash equivalent of \$437 million, compared with \$37 million as on May 31, 2020. Although, the company's long-term debt stood at \$910 million at the end of July 31, 2020, compared with \$400 million on May 31, 2020, management believes it has enough liquidity to manage the current scenario. At the end of fourth-quarter fiscal 2020, the company had a debt-to-capital ratio of 0.68, which indicates that its debt levels are manageable.

Reasons To Sell:

▼ **Coronavirus to Impact 2020 Results:** Cracker Barrel suspended its dividend and stock buyback in an effort to preserve cash and maintain ample liquidity amid a possible recession due to the coronavirus outbreak. We believe that the coronavirus outbreak will further hurt traffic and sales in the coming quarters. Owing to the coronavirus crisis, the company anticipates operations to be significantly impacted by factors such as capacity restrictions, jurisdictional regulations and state of economy reopenings. Notably, it expects the pandemic scenario to continue for the foreseeable future. Consequently, it is not providing customary annual guidance. However, the company stated that it anticipates capital expenditures of approximately \$100 million for fiscal 2021.

Coronavirus outbreak, along with increasing costs and a slowdown in unit development plan are potential headwinds for an industry.

▼ **Rising Cost Scenario:** Despite cost-saving initiatives, higher labor costs due to increased wages are expected to persistently keep profits under pressure. Also, the company is apprehensive that inflationary costs are likely to be incurred. Meanwhile, management is making significant investments to support the training and launch of several initiatives as well as its value testing. Although these initiatives are expected to drive Cracker Barrel's top-line growth during fiscal 2020, initial investments might dent margins. Moreover, expenses for opening units are expected to hurt the company's margins. Resultantly, operating margin in fourth-quarter fiscal 2020 was 8.1%, down 200 basis points (bps) from the year-ago quarter's figure. The decline primarily stemmed from increases in operating and general and administrative expenses, and cost of goods sold and labor-related expenses.

▼ **Traffic Woes Linger:** Even though comps have increased over the past few quarters, decline in traffic continues to be a major concern for the stocks in this space. In the fiscal 2019, traffic declined 0.7%. The downtrend persisted in the first and second-quarter of fiscal 2020, with traffic declining 1.5% and 0.2%, respectively. During the third quarter of fiscal 2020, comparable store restaurant traffic slumped 43.6%. Traffic woes have intensified due to the pandemic.

▼ **Limited International Presence:** While several other restaurateurs including Yum! Brands, McDonald's and Domino's Pizza are capitalizing on the emerging market potential, Cracker Barrel seems to be slow on this front. We believe that the company needs to spread its presence beyond the United States in order to offset the impact of cut-throat in the saturated domestic market.

▼ **Industry Susceptible to Consumer Discretionary Spending:** Cracker Barrel operates in the retail restaurant space that is highly dependent on consumer discretionary spending. Consumers' propensity to spend largely depends on the overall macroeconomic scenario. Although higher disposable income and increased wages are favoring the industry right now, it can change with the slightest disruption in the economy. The company, therefore, is highly vulnerable to the inconsistent nature of consumer discretionary spending. If it does not make pragmatic use of advanced technologies to innovate across value chains, it has high chances of fading out like many other restaurant retailers.

Last Earnings Report

Cracker Barrel Post Wider-Than-Expected Loss in Q4

Cracker Barrel reported fourth-quarter fiscal 2020 (ended Jul 31, 2020) results, wherein earnings missed the Zacks Consensus Estimate, while revenues beat the same. However, both the metrics declined on a year-over-year basis. Post the results, shares of the company slipped approximately 5% during trading hours on Sep 16.

Adjusted loss (excluding the impairment charges related to store assets, expenses related to COVID-19, the impairment charge related to Punch Bowl Social, and the related tax effects) was 85 cents per share during the quarter. Notably, the figure was 54.5% wider than the Zacks Consensus Estimate of a loss of 55 cents. In the prior-year quarter, the company reported earnings per share of \$2.70.

Revenues of \$495.1 million beat the consensus mark of \$484 million by 2.3%. However, the figure declined 37.1% on a year-over-year basis, primarily due to lower traffic owing to the social-distancing protocols. Of revenues, 81.1% was contributed by the Restaurant segment and 18.9% was added by Retail supply chain.

Quarter Ending	07/2020
Report Date	Sep 15, 2020
Sales Surprise	2.36%
EPS Surprise	-54.55%
Quarterly EPS	-0.85
Annual EPS (TTM)	-2.81

Comps Details

Comparable store restaurant sales declined 39.2% in the reported quarter owing to a 40.7% fall in comparable store restaurant traffic, partially offset by a 1.5% uptick in average check. Moreover, comparable store retail sales in the fiscal fourth quarter declined 32.3% from the prior-year quarter's figure.

Operating Highlights

Cost of goods sold (exclusive of depreciation and rent) increased 170 basis points (bps) year over year. General and administrative expenses rose 320 bps year over year.

Operating income in the fiscal fourth quarter totaled \$40.1 million compared with \$79.4 million in the prior-year quarter. Operating margin was reported at 8.1%, down 200 bps from the prior-year quarter. Adjusted operating loss for the fiscal fourth quarter was \$20 million.

Balance Sheet

As of Jul 31, 2020, cash and cash equivalents were \$437 million, up from \$36.9 million as of Aug 2, 2019.

Inventory at the end of the quarter under review amounted to \$139.1 million, down from \$155 million at the end of fourth-quarter fiscal 2019.

Long-term debt amounted to \$910 million at the end of the quarter, up from \$400 million at the end of the prior-year quarter.

Net cash provided by operating activities was \$161 million in the fiscal 2020 compared with \$362.8 million in the prior year.

Meanwhile, during the fourth quarter of fiscal 2020, the company entered into two sale-leaseback transactions involving a group of 64 properties (expiring in 2021) to bolster liquidity and strengthen its financial position.

Firstly, the company entered into a new 20-year lease agreement with Oak Street Real Estate Capital. Notably, the transaction resulted in approximately \$70 million of non-cash gain on sale of assets during the fourth quarter. Additionally, it entered into a second sale-leaseback transaction (expiring in the first quarter of fiscal 2021), whereby the company sold an additional 62 properties to Oak Street for a purchase price of approximately \$150 million.

Fiscal 2020 Highlights

Fiscal 2020 GAAP loss per diluted share came in at \$1.36 against prior-year earnings of \$9.27.

Total revenues for fiscal 2020 came in at \$2,522.8 million compared with \$3,071.9 million in fiscal 2019.

GAAP operating income in fiscal 2020 totaled \$103.6 million (or 4.1% of total revenues), compared with \$282.8 million (or 9.2%) in the prior fiscal.

General and administrative expenses for fiscal 2020 was reported at \$147 million compared with \$152.8 million in fiscal 2019.

Fiscal 2021 Outlook

to the coronavirus crisis, the company expects operations to be significantly impacted by factors such as capacity restrictions, jurisdictional regulations and state of economy reopenings. Notably, it expects the pandemic scenario to continue in the foreseeable future. Therefore, owing to the uncertainty tied to the crisis, the company is not providing any customary annual guidance.

However, the company stated that it anticipates capital expenditures of approximately \$100 million for fiscal 2021.

Valuation

Cracker Barrel shares are down 21.9% year-to-date and 22.5% in the trailing 12-month period. Stocks in the Zacks sub-industry is up by 8.4%, and the Zacks Retail-Wholesale sector are up by 38% in the year-to-date period. Over the past year, the Zacks sub-industry was up by 6.9%, while the sector were up by 43.5%.

The S&P 500 index is up by 8.4% in the year-to-date period and 16.5% in the past year.

The stock is currently trading at 54.81X trailing 12-month earnings, which compares to 45.71X for the Zacks sub-industry, 43.95X for the Zacks sector and 24.75X for the S&P 500 index.

Over the past five years, the stock has traded as high as 63.32X and as low as 5.88X, with a 5-year median of 18.7X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$126 price target reflects 57.53X trailing 12-month earnings.

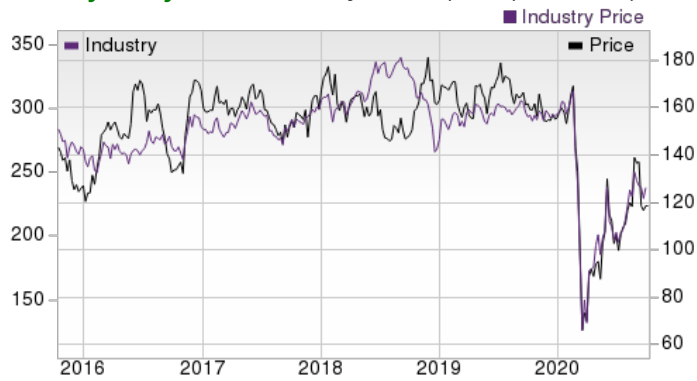
The table below shows summary valuation data for CBRL.

Valuation Multiples - CBRL					
		Stock	Sub-Industry	Sector	S&P 500
P/E TTM	Current	54.81	45.71	43.95	24.75
	5-Year High	63.32	45.71	44.37	24.87
	5-Year Low	5.88	22.98	23.46	16.01
	5-Year Median	18.7	26.08	26.64	19.45
P/S F12M	Current	0.99	3.78	1.35	4.17
	5-Year High	1.44	3.93	1.35	4.31
	5-Year Low	0.42	2.81	0.84	3.18
	5-Year Median	1.22	3.34	1.01	3.67
EV/EBITDA TTM	Current	20.3	21.47	20.78	15.31
	5-Year High	22.97	21.5	21.13	15.68
	5-Year Low	4.32	10.64	10.7	9.55
	5-Year Median	10.73	14.4	12.99	13.1

As of 10/15/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 31% (80 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Brinker International, Inc. (EAT)	Outperform	1
The Cheesecake Factory Incorporated (CAKE)	Neutral	3
Dominos Pizza Inc (DPZ)	Neutral	3
Darden Restaurants, Inc. (DRI)	Neutral	3
McDonalds Corporation (MCD)	Neutral	2
DaveBusters Entertainment, Inc. (PLAY)	Neutral	3
Starbucks Corporation (SBUX)	Neutral	3
The Wendys Company (WEN)	Neutral	3

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

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	CBRL	X Industry	S&P 500	CAKE	DPZ	EAT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	4	-	-	3	3	1
VGM Score	B	-	-	B	C	F
Market Cap	2.84 B	557.99 M	23.94 B	1.40 B	15.83 B	2.21 B
# of Analysts	4	6	14	6	14	10
Dividend Yield	0.00%	0.00%	1.59%	0.00%	0.78%	0.00%
Value Score	B	-	-	B	D	D
Cash/Price	0.16	0.13	0.07	0.17	0.03	0.02
EV/EBITDA	14.96	12.88	13.69	6.62	27.79	14.87
PEG F1	2.57	4.35	2.85	NA	2.30	1.84
P/B	6.80	2.60	3.52	3.99	NA	NA
P/CF	17.05	9.83	13.34	6.71	35.28	9.58
P/E F1	25.72	32.12	22.31	NA	32.13	23.40
P/S TTM	1.13	1.05	2.66	0.64	4.05	0.72
Earnings Yield	3.81%	0.94%	4.34%	-3.92%	3.11%	4.28%
Debt/Equity	2.18	0.54	0.70	1.07	-1.26	-2.52
Cash Flow (\$/share)	7.04	1.81	6.93	4.60	11.39	5.09
Growth Score	B	-	-	D	A	F
Historical EPS Growth (3-5 Years)	-4.59%	2.98%	10.41%	-11.97%	31.48%	0.48%
Projected EPS Growth (F1/F0)	124.26%	-22.71%	-2.95%	-146.17%	30.70%	21.93%
Current Cash Flow Growth	-49.60%	3.60%	5.54%	-1.46%	9.16%	-23.98%
Historical Cash Flow Growth (3-5 Years)	-6.78%	4.61%	8.51%	2.15%	17.68%	-7.82%
Current Ratio	1.43	1.01	1.35	0.85	1.96	0.45
Debt/Capital	68.50%	52.36%	42.91%	62.24%	NA	NA
Net Margin	-1.29%	-1.44%	10.28%	0.20%	11.98%	0.80%
Return on Equity	10.47%	-10.64%	14.79%	1.55%	-14.11%	-12.07%
Sales/Assets	1.11	0.86	0.51	0.81	2.62	1.23
Projected Sales Growth (F1/F0)	11.56%	0.00%	-0.53%	-19.69%	14.22%	9.29%
Momentum Score	C	-	-	A	F	A
Daily Price Change	1.77%	0.63%	0.41%	2.39%	-0.34%	4.57%
1-Week Price Change	-0.03%	2.48%	4.06%	8.13%	-9.87%	8.61%
4-Week Price Change	-2.77%	3.17%	2.68%	5.36%	1.71%	8.16%
12-Week Price Change	12.35%	16.53%	5.78%	28.57%	5.38%	90.47%
52-Week Price Change	-22.48%	-14.65%	3.83%	-19.79%	56.69%	20.44%
20-Day Average Volume (Shares)	372,446	312,227	2,066,999	1,440,961	927,330	1,587,826
EPS F1 Estimate 1-Week Change	-0.05%	0.00%	0.00%	5.74%	-1.54%	1.31%
EPS F1 Estimate 4-Week Change	-0.54%	0.43%	0.04%	5.61%	-2.30%	1.81%
EPS F1 Estimate 12-Week Change	-7.76%	13.15%	3.55%	27.59%	2.11%	68.01%
EPS Q1 Estimate Monthly Change	-23.53%	0.26%	0.00%	-15.79%	-3.51%	2.17%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	B
Momentum Score	C
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 forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.