

Coty, Inc. (COTY)

\$8.97 (As of 04/02/21)

Price Target (6-12 Months): **\$11.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/11/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: C

Growth: C

Momentum: B

Summary

Coty, which recently divested a major stake in Wella, has outpaced the industry in the past three months. The company is focused on its core strategies, which include achieving solid e-commerce momentum; strengthening presence in China; solidifying foothold in prestige, skincare and cosmetics; undertaking innovation and stabilizing the mass beauty business. The impact of these strategies was reflected in second-quarter fiscal 2021 results, wherein top and bottom lines beat the Zacks Consensus Estimate. However, the metrics declined year over year. Coty's travel retail network has been largely hit by the pandemic, with the second wave posing further challenges. Also, reduced make-up usage due to fewer social occasions has been hurting the mass category. Nonetheless, the company's increased cost-savings goal for fiscal 2021 raises optimism.

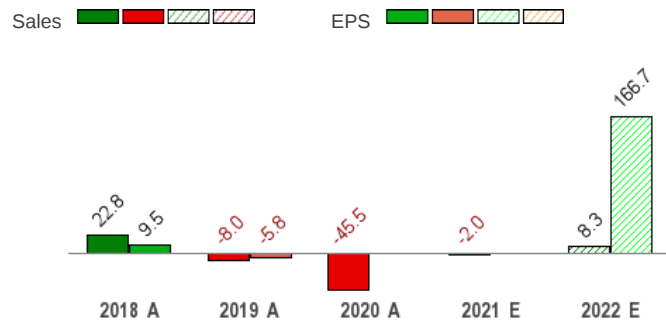
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$9.60 - \$2.65
20-Day Average Volume (Shares)	8,593,425
Market Cap	\$6.9 B
Year-To-Date Price Change	27.8%
Beta	2.47
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Cosmetics
Zacks Industry Rank	Bottom 35% (164 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	112.5%
Last Sales Surprise	1.0%
EPS F1 Estimate 4-Week Change	2.3%
Expected Report Date	05/10/2021
Earnings ESP	16.7%

P/E TTM	NA
P/E F1	99.7
PEG F1	NA
P/S TTM	1.5

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,330 E	1,651 E	1,128 E	1,219 E	5,009 E
2021	1,124 A	1,416 A	1,051 E	1,037 E	4,625 E
2020	1,943 A	2,345 A	1,528 A	560 A	4,718 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.06 E	\$0.17 E	\$0.01 E	\$0.09 E	\$0.24 E
2021	\$0.11 A	\$0.17 A	-\$0.01 E	\$0.02 E	\$0.09 E
2020	\$0.07 A	\$0.27 A	-\$0.08 A	-\$0.46 A	-\$0.48 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 04/02/2021. The report's text and the analyst-provided price target are as of 04/05/2021.

Overview

New York-based **Coty Inc.**, along with its subsidiaries, manufactures, markets, and distributes beauty products worldwide. The company sells its products through retailers, including hypermarkets, supermarkets, independent and chain drug stores and pharmacies, upscale perfumeries, upscale and mid-tier department stores, nail salons, specialty retailers, duty-free shops and traditional food, and drug and mass retailers. It also markets products under the Astor, Coty, Joop!, Jovan, Manhattan, and N.Y.C. New York Color brands.

On Jun 1, 2020 Coty entered into a definitive deal with KKR for the Professional and Retail Hair business of the former, which includes Wella, OPI, Clairol and ghd brands (collectively known as Wella). Per the deal, KKR will have a 60% stake in the separately managed business, whereas Coty will hold the remaining 40%. The sale of 60% of Wella to KKR is expected to close by the end of the calendar year 2020.

As of the first quarter of fiscal 2021, Coty has three remaining segments for its continuing operations, which include Americas (42% of first-quarter fiscal 2021 revenues), EMEA (47%) as well as Asia Pacific (11%). Each of these segments exclude the discontinued retail hair operations.

Notably, the three segments are supported by central marketing teams and include businesses focused on prestige fragrances, prestige skin care, prestige cosmetics, mass fragrance, mass skin care, mass color cosmetics and body care.

Apart from this, Coty operates through the Prestige as well as Mass channels. These accounted for roughly 64% and 36% of the company's net revenues from continuing operations, respectively as of the second quarter of fiscal 2021.



Reasons To Buy:

- ▲ **Focus on Core Priorities, Better-than-Expected Q2:** Shares of Coty have rallied 28.8% in the past three months, compared with the industry's growth of 9.9%. The company has been focused on its core strategic priorities, which include achieving robust e-commerce momentum; strengthening presence in China; solidifying foothold in white space opportunities such as prestige, skincare and cosmetics; undertaking innovation and thereby enhancing the core prestige fragrance business; as well as stabilizing the mass beauty business market share. With respect to its prestige fragrance category, Coty is particularly benefiting from strength and innovations in Gucci, Burberry and Marc Jacobs brands.

The impact of these strategies was reflected in Coty's second-quarter fiscal 2021 results, wherein both top and bottom lines came ahead of the Zacks Consensus Estimate. Although results declined year over year, the prestige channel witnessed significant growth on a sequential basis, on the back of the robust retail sales momentum in China and the United States, as well as broad-based e-commerce growth. Also, focus on cost reductions aided the company's performance. Incidentally, adjusted earnings per share came in at 17 cents, which surpassed the Zacks Consensus Estimate of 8 cents per share. Management remained pleased with the second-quarter show and said that the company's January trends were also in tandem with its anticipations.

Coty has made solid progress on its core priorities, which include innovation and performance in its prestige and mass channels, solidified position in key markets and robust e-commerce momentum among others.

- ▲ **Cost-Saving Efforts:** Management is committed to optimizing the overall cost structure. Incidentally, Coty delivered fixed cost savings of nearly \$80 million in the second quarter and is now on track to generate savings of roughly \$300 million in fiscal 2021, compared with more than \$200 million expected before. The raised savings goal can be accountable to robust delivery in the first half and acceleration of various projects. This, in turn, is likely to lead to adjusted EBITDA of \$750 million for fiscal 2021. Certainly, Coty's robust cost discipline and cash-flow dynamics remain its main drivers.

We note that the company has been focused on reducing people and non-people costs, alongside undertaking solid marketing cost management. Thanks to these factors, adjusted operating income from continuing operations came in at \$188.4 million, up 7% year over year. Further, adjusted operating margin for continuing operations expanded 280 basis points to 13.3%. Adjusted EBITDA (from continuing operations) for the quarter came in at \$284.1 million, up 6% year over year. Adjusted EBITDA margin expanded 420 basis points to 20.1%.

- ▲ **Strategic Partnerships & Divestitures Aid:** Coty has made several strategic partnerships to enhance its brand portfolio. Recently, the company signed a letter of intent to partner with LanzaTech — a pioneer in producing next-generation green and sustainable ingredients. This partnership is aimed at introducing sustainable ethanol produced from captured-carbon emissions into Coty's fragrance offerings. Further, the company acquired 20% stake in Kim Kardashian West's business in January 2021. The deal will help Coty and Kim Kardashian West focus on fresh beauty categories, alongside expanding their worldwide presence beyond the current line of products. Further, Coty and Kylie Jenner unveiled their long-term alliance in January 2020, aimed at further building upon Kylie's beauty business, which includes Kylie Skin and Kylie Cosmetics. Notably, Kylie Beauty continued performing well in the second quarter, with revenues in line with the first quarter of fiscal 2021. Apart from witnessing strength on the Kylie Skincare direct-to-consumer website in the quarter under review, management remains encouraged about the scope of Kylie Skin in the retail channel across the United States, Australia and Europe as the pandemic-led lockdowns start getting lifted. This is likely to be backed by new launches and activations. Incidentally, Kylie Jenner is an iconic personality with more than 300 million followers on social media.

Apart from this, the company's buyout of the iconic Burberry brand, in the second quarter of fiscal 2018, has been yielding favorably. This acquisition has been supporting growth in the Prestige segment. Additionally, the company's buyout of Procter & Gamble Company's global fine fragrances, salon professional, cosmetics and retail hair color businesses, along with select hair styling brands (the P&G Beauty Business) in 2016 bodes well. On the flip side, Coty completed the sale of a majority stake in its Professional and Retail Hair business (Wella) to KKR on Nov 30, 2020. This is likely to boost Coty's balance sheet. Earlier, in September 2019, Coty divested its controlling stake in Younique, LLC.

- ▲ **E-Commerce Strength:** While Coty has been seeing soft sales since the past few quarters due to coronavirus-led concerns, the company's e-commerce business has been performing impressively. In the second quarter of fiscal 2021, the company's e-commerce sales surged 40%, with strength in all regions and channels. Also, Coty's e-commerce penetration as a percentage of sales continued to increase in the Americas and the EMEA regions — with the latter being its biggest e-commerce region and largest growth contributor. Channel-wise, e-commerce sales rose 40% in the Prestige channel and by double-digits in the Mass channel, with the latter seeing continued growth at retailer sites as well as robust performance on Amazon — in the United States, Germany and U.K. Notably, revenues on the Kylie Skincare direct-to-consumer website increased year over year in the second quarter.

- ▲ **Debt Analysis:** Coty's financial net debt of \$4,842.6 million as of Dec 31, 2020, was lower than \$7,864.5 million as of Sep 30. This was accountable to the divestiture of Wella (concluded in November 2020), as well as robust free cash flow. During the second quarter, Coty generated cash from operations of \$430.1 million. Operating cash flow for the first half of fiscal 2021 came in at \$472.7 million. Free cash outflow during the second quarter and the first half was \$389.4 million and \$361.1 million, respectively. The company had immediate liquidity of \$1,721.7 million as of Sep 30 (including cash and cash equivalents as well as unused revolving credit facility). Coty ended the quarter with cash and cash equivalents of \$549.1 million. Apart from this, the company's debt-to-capital ratio as of the end of the second quarter was 0.62, which improved from 0.71 at the end of the first quarter.

Reasons To Sell:

▼ **Revenues Soft, Travel Retail Challenged due to COVID-19:** Coty's revenues have been bearing the brunt of soft traffic as well as a disrupted travel retail network amid the pandemic-lead social distancing trends. In second-quarter fiscal 2021, net revenues from continuing operations decreased 15.9% year over year to \$1,415.6 million. LFL net revenues from continuing operations slid 17.9%. LFL revenues were down across all regions and channels. Notably, the LFL mass business revenues saw a 21.6% decline and the prestige business was down 15.6%.

Coty's revenues have been bearing the brunt of store closures, soft traffic as well as a disrupted travel retail network amid the pandemic-lead social distancing trends.

Results were especially affected by continued softness in travel retail (in Asia-Pacific region and Prestige channel), the impact of the second wave of the pandemic that resulted in several market closures (in Prestige channel and EMEA region) and lesser make-up usage occasions and lower store traffic (in the Mass channel).

▼ **Mass Unit Under Pressure:** The Mass channel has long been witnessing soft sales. In the second quarter of fiscal 2021, net revenues declined 23.3% year over year to \$511.5 million, while LFL sales fell 21.6%. Sales continued to bear the brunt of reduced demand for color cosmetics due to lesser make-up usage occasions and lower store traffic amid the increased waves of the pandemic.

▼ **Currency Headwinds:** Coty is exposed to unfavorable foreign currency translations owing to the company's exposure to international markets. The weakening of foreign currencies against the U.S. dollar may compel the company to either raise prices or lower profit margins in locations outside the country. Evidently, currency translations had a 0.5% adverse impact on the top line during the second quarter. Volatility in exchange rates remains a threat for the company.

▼ **Stiff Competition:** Coty faces competition from various products and product lines, in both domestic and international markets. The beauty and beauty-related products industry is highly competitive with the number of competitors and degree of competition varying widely from country to country. Worldwide, Coty competes against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels.

▼ **Shifting Market Trends and Consumer Preferences:** As Coty operates in a consumer centric market, its ability to garner profits depends largely on how well it can predict changes in consumer preferences and spending patterns for beauty products and respond in a timely manner to fulfill the same. Additionally, material shifts in market demand for a product for any reason may result in increased inventory levels, which may lead to selling goods at lower prices. This could ultimately hurt the company's top and bottom lines.

Last Earnings Report

Coty Q2 Earnings & Sales Beat, Decline Y/Y

Coty posted second-quarter fiscal 2021 results. Results from continuing operations reflect the total company results, excluding revenues and costs that are directly associated with the Wella business, whose majority stake was divested to KKR on Nov 30, 2020. However, continuing operations include some cost recoveries received for the month of December 2020 under the Wella transitional service agreement (or Wella TSA).

Coty's adjusted earnings per share came in at 17 cents, which slumped 37% from 27 cents reported in the year-ago period. This includes only two months of the Wella business contribution. The Zacks Consensus Estimate for the quarter under review was pegged at 8 cents per share.

Coty's net revenues from continuing operations came in at \$1,415.6 million, which decreased 15.9% year over year. Nonetheless, the top line outpaced the Zacks Consensus Estimate of \$1,402 million. Currency translations had a 0.5% adverse impact on the top line.

LFL net revenues from continuing operations slid 17.9%. LFL revenues were down across all regions and channels. Notably, the LFL mass business revenues saw a 21.6% decline and the prestige business was down 15.6%, with the latter indicating a sharp improvement from a 25% drop in the preceding quarter.

Adjusted gross margin from continuing operations declined from 62.4% to 58.7%, thanks to reduced sales volumes, and adverse regional and category sales mix. Adjusted operating income from continuing operations came in at \$188.4 million, up 7% year over year on robust fixed cost curtailments (including people and non-people expenses), along with solid marketing expense management. Fixed cost savings for the fiscal second quarter came in at about \$80 million. Adjusted operating margin for continuing operations expanded 280 basis points to 13.3%. Adjusted EBITDA (from continuing operations) for the quarter came in at \$284.1 million, up 6% year over year. Adjusted EBITDA margin expanded 420 basis points to 20.1%.

Prestige: Net revenues in the segment fell 11.1% to \$903.7 million, while LFL revenues declined 15.6%. Reported sales benefited from the addition of Kylie Beauty sales during the quarter under review. Half of the decline in the segment was accountable to the prevalent pressure in travel retail. Nonetheless, sales trends improved sequentially even amid greater coronavirus waves, which resulted in various market closures or increased limitations on non-essential stores. This sequential improvement came on the back of therobust retail sales momentum in China and the United States, as well as broad-based e-commerce growth. Impressively, e-commerce sales surged 40% year over year.

Mass: Net revenues declined 23.3% year over year to \$511.5 million, while LFL sales fell 21.6%. Sales continued to bear the brunt of reduced demand for color cosmetics due to lesser make-up usage occasions and lower store traffic amid the increased waves of the pandemic. On the brighter side, e-commerce sales remained strong, growing double digits. E-commerce sales were backed by continued growth at retailer sites as well as robust performance on Amazon — in the United States, Germany and U.K.

Net revenues in the Americas tumbled 7.2% to \$539.5 million. LFL revenues were down 7.4% due to major hurdles in the travel retail channel. Excluding the travel retail impact, LFL revenues declined in mid single-digits. Reported sales were aided by contribution from the joint venture with Kylie Jenner. Notably, e-commerce sales surged more than 50% in the region, thanks to strength in prestige as well as mass categories. This, in turn, was powered by solid execution at e-retailers, brick & click as well as direct-to-consumer with philosophy.com. As a percentage of sales, e-commerce penetration elevated to the low teens. Sales in EMEA dropped 21.9% (down 24.8% at LFL) year over year to \$708.9 million. Sales trends were impacted by the second coronavirus wave and the multiple market lockdowns. E-commerce sales soared about 30% in the quarter, and e-commerce penetration, as a percentage of sales went up to the mid-20s percentage range.

Sales in the Asia-Pacific region declined 13.9% (down 17.2% at LFL) year on year to \$167.2 million, with most of the LFL revenue decline being accountable to the travel retail softness. Also, continued active sales reduction to channels with low value contributed to this decline to some extent. Nonetheless, LFL trends improved considerably on a sequential basis. E-commerce sales saw more than a 20% increase, somewhat affected by a continued decline in low value sales.

Other Updates

Coty ended the quarter with cash and cash equivalents of \$549.1 million, as well as immediate liquidity of \$2,832.1 million. The company's financial net debt of \$4,842.6 million as of Dec 31, 2020 fell from \$7,864.5 million as of the end of the preceding quarter (Sep 30). The reduction in net debt was accountable to gross proceeds from Wella's sale, along with robust free cash flow — somewhat negated by currency headwinds. During the second quarter, Coty generated cash from operations of \$430.1 million. Operating cash flow for the first half of fiscal 2021 came in at \$472.7 million. Free cash outflow during the second quarter and the first half was \$389.4 million and \$361.1 million, respectively. On Jan 27, Coty unveiled the planned shutdown of its manufacturing site in Cologne, Germany — as part of the company's consolidation of the global fragrance operations. The shutdown, anticipated to be concluded by Summer 2022, is likely to take place in stages.

Despite the adverse impacts of the pandemic on sales channels and short-term orders, the company is focused on its core priorities, as well as enhancement of its sell-out trends. The company said that it will begin increasing its commercial investments to aid improvements before fiscal 2022. Coty anticipates these actions to be backed by fixed cost savings, which are now likely to reach roughly \$300 million for fiscal 2021 compared with more than \$200 million expected before. The raised savings goal can be accountable to robust delivery in the first half and acceleration of various projects. This, in turn, is likely to lead to adjusted EBITDA of \$750 million for fiscal 2021.

Quarter Ending	12/2020
Report Date	Feb 09, 2021
Sales Surprise	0.97%
EPS Surprise	112.50%
Quarterly EPS	0.17
Annual EPS (TTM)	-0.26

Recent News

Coty to Team Up With LanzaTech for its Fragrance Business – Mar 3, 2021

Coty signed a letter of intent to partner with LanzaTech — a pioneer in producing next-generation green and sustainable ingredients. This partnership is aimed at introducing sustainable ethanol produced from captured-carbon emissions into Coty's fragrance offerings. Notably, Coty's scientists have worked with LanzaTech and production partners during the last two years to come up with a high-purity sustainable ethanol for its scents. The envisioned partnership will enable Coty to use this carbon-captured ethanol. Management intends to have most of its fragrance portfolio to be made using this ethanol by 2023.

We note that ethanol is major ingredient in fragrance products. Currently, the company's scents use ethanol, which is derived from several natural raw materials like sugar cane and sugar beet. These ingredients use land, water and fertilizers. Coty highlighted that the newly-developed ethanol with LanzaTech uses near-zero water as well as reduced area of agricultural land. Clearly, the introduction of this carbon-captured ethanol is in sync with Coty's 'Beauty That Lasts' sustainability program.

Coty Aids Beauty Categories With Kim Kardashian West Deal - Jan 5, 2021

Coty concluded its previously unveiled acquisition of a 20% stake in Kim Kardashian West's business, for a price of \$200 million. The deal, which was first announced in June 2020, will help Coty and Kim Kardashian West focus on fresh beauty categories, alongside expanding their worldwide presence beyond the current line of products. Notably, this alliance will also help develop Kim Kardashian West's skincare line, which is anticipated to launch in fiscal 2022. Per the deal, Coty will be responsible for the overall portfolio development, including skincare, nail products, personal care and hair care, by utilizing its profound industry knowledge as well as market expertise. Meanwhile, Kim Kardashian West, together with her team will take care of the actions related to product and communication initiatives, thereby enhancing her solid global reach via social media.

The abovementioned transaction is likely to benefit both Coty and Kim Kardashian West, as they can use their individual strengths to facilitate a direct-to-consumer (DTC) and high-growth first beauty brand, whose products will be sold via luxury beauty retailers and an owned digital network. Certainly, Kim Kardashian West's huge following, together with Coty's skincare knowledge; access to a vast distribution channel; resources to foray into new categories in the beauty space and expertise in worldwide product positioning, is likely to aid growth for both parties. Incidentally, Kim Kardashian West is one of the highest-profile consumer personalities in the world, with 300 million followers on her social media and personal brand channels, as well as a huge global audience.

Valuation

Coty shares are up 27.8% in the year-to-date period and 79.4% for the trailing 12-month period. Stocks in the Zacks sub-industry are up 6.8% and the Zacks Consumer Staples sector increased 1.1% in the year-to-date period. Over the past year, the Zacks sub-industry is up 74.5% and sector went up 24.2%.

The S&P 500 index is up 7.4% in the year-to-date period and 53.5% in the past year.

The stock is currently trading at 44.26X forward 12-month earnings, which compares to 44.92X for the Zacks sub-industry, 20.04X for the Zacks sector and 22.67X for the S&P 500 index.

Over the past five years, the stock has traded as high as 63.27X and as low as 5.34X, with a 5-year median of 18.9X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$11 price target reflects 53.11X forward 12-month earnings.

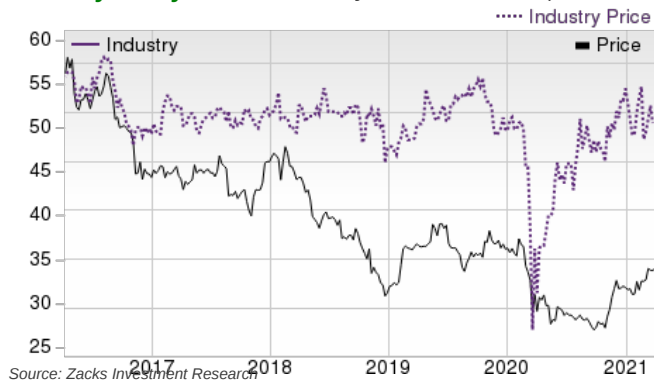
The table below shows summary valuation data for COTY

Valuation Multiples - COTY					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	44.26	44.92	20.04	22.67
	5-Year High	63.27	45.81	22.4	23.83
	5-Year Low	5.34	19.65	16.52	15.3
	5-Year Median	18.9	26.46	19.52	17.95
P/S F12M	Current	1.4	7.46	10.13	4.64
	5-Year High	2.31	7.46	11.96	4.64
	5-Year Low	0.35	1.53	8.6	3.21
	5-Year Median	1.09	3.08	10.42	3.7
EV/EBITDA F12M	Current	12.66	26.67	35.6	17.23
	5-Year High	16.26	32.48	38.26	18.83
	5-Year Low	6.7	8.72	25.83	13.03
	5-Year Median	11.14	18.34	34.12	15.78

As of 04/01/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 35% (164 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Helen of Troy Limited (HELE)	Neutral	4
Inter Parfums, Inc. (IPAR)	Neutral	3
MANDOM CORP (MDOMF)	Neutral	3
Natura &Co Holding S.A. ADR (NTCO)	Neutral	4
Nu Skin Enterprises, Inc. (NUS)	Neutral	3
POLA ORBIS (PORBF)	Neutral	3
Revlon, Inc. (REV)	Neutral	4
Symrise AG Un-sponsored ADR (SYIEY)	Underperform	4

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

Industry Comparison Industry: Cosmetics				Industry Peers		
	COTY	X Industry	S&P 500	NTCO	NUS	SYIEY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	4	3	4
VGM Score	B	-	-	B	A	D
Market Cap	6.88 B	2.47 B	29.69 B	11.32 B	2.68 B	16.70 B
# of Analysts	5	4	13	1	4	2
Dividend Yield	0.00%	0.00%	1.34%	0.00%	2.88%	0.56%
Value Score	C	-	-	C	A	C
Cash/Price	0.09	0.05	0.06	0.14	0.16	0.03
EV/EBITDA	-22.45	24.58	16.59	7.60	7.77	NA
PEG F1	NA	4.60	2.35	NA	NA	NA
P/B	2.09	3.75	3.95	2.13	3.00	6.25
P/CF	19.48	26.38	16.66	26.38	10.13	27.22
P/E F1	99.22	43.72	21.87	411.50	13.33	38.05
P/S TTM	1.49	2.18	3.39	1.58	1.04	NA
Earnings Yield	1.00%	2.07%	4.49%	0.24%	7.50%	2.63%
Debt/Equity	1.56	0.36	0.66	0.47	0.34	NA
Cash Flow (\$/share)	0.46	1.15	6.78	0.62	5.21	1.13
Growth Score	C	-	-	B	A	C
Historical EPS Growth (3-5 Years)	-14.22%	-0.07%	9.39%	NA	2.65%	NA
Projected EPS Growth (F1/F0)	118.33%	16.97%	15.29%	125.00%	9.09%	3.85%
Current Cash Flow Growth	-71.21%	5.76%	0.44%	33.01%	6.05%	5.51%
Historical Cash Flow Growth (3-5 Years)	-9.44%	4.22%	7.37%	NA	2.26%	NA
Current Ratio	0.74	1.56	1.39	1.16	1.66	NA
Debt/Capital	61.30%	30.19%	41.26%	31.88%	25.46%	NA
Net Margin	-23.68%	1.97%	10.59%	-1.75%	7.41%	NA
Return on Equity	-5.61%	5.52%	14.86%	-2.10%	23.09%	NA
Sales/Assets	0.28	0.77	0.51	0.60	1.41	NA
Projected Sales Growth (F1/F0)	-27.47%	8.55%	7.36%	-81.18%	7.74%	1.99%
Momentum Score	B	-	-	B	B	F
Daily Price Change	-0.44%	0.00%	0.97%	-3.12%	-0.19%	1.55%
1-Week Price Change	-0.23%	-1.40%	2.12%	-8.57%	-2.25%	1.75%
4-Week Price Change	14.71%	1.19%	6.95%	-0.60%	6.26%	4.97%
12-Week Price Change	28.14%	7.84%	8.07%	-7.58%	-8.65%	-4.88%
52-Week Price Change	101.12%	65.64%	67.38%	82.08%	164.48%	31.15%
20-Day Average Volume (Shares)	8,593,425	54,704	2,332,946	528,883	594,402	74,165
EPS F1 Estimate 1-Week Change	7.32%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	2.33%	0.00%	0.00%	0.00%	0.00%	-2.99%
EPS F1 Estimate 12-Week Change	-48.24%	-0.36%	2.24%	-63.64%	6.57%	-2.41%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	NA	0.00%	NA

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	C
Momentum Score	B
VGM Score	B

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

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.