

CVS Health (CVS)

\$60.28 (As of 09/01/20)

Price Target (6-12 Months): **\$64.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/22/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: A

Momentum: A

Summary

CVS Health ended the second quarter with both earnings and revenues surpassing the respective Zacks Consensus Estimate. The year-over-year revenue rise was primarily driven by strong growth in the company's recently-introduced Health Care Benefits segment. Encouragingly from June, the company started to see prescription volume growth accelerate. Increased guidance amid the pandemic scenario is another positive. Over the past year, CVS Health has outperformed its industry. The COVID-19 pandemic affected second-quarter revenues in the Retail/LTC and Pharmacy Services segments as new therapy prescriptions reduced due to lower provider visits as well as front store revenues due to shelter-in-place orders. Meanwhile, the LTC business is facing some industry-wide challenges. Reimbursement risk continues to be a dampener.

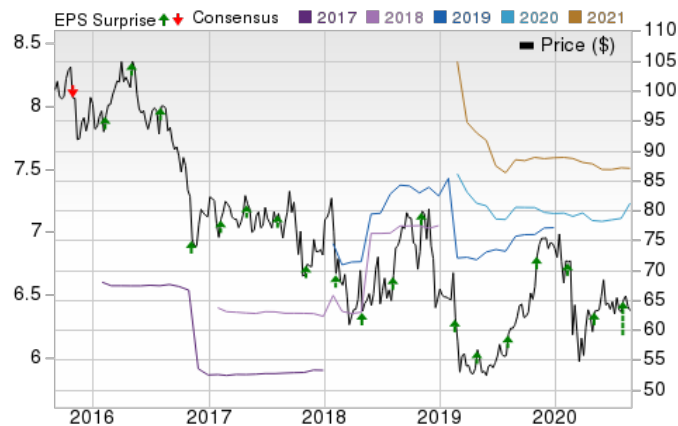
Data Overview

52-Week High-Low	\$77.03 - \$52.04
20-Day Average Volume (Shares)	6,890,884
Market Cap	\$78.9 B
Year-To-Date Price Change	-18.9%
Beta	0.67
Dividend / Dividend Yield	\$2.00 / 3.3%
Industry	Retail - Pharmacies and Drug Stores
Zacks Industry Rank	Top 49% (123 out of 251)

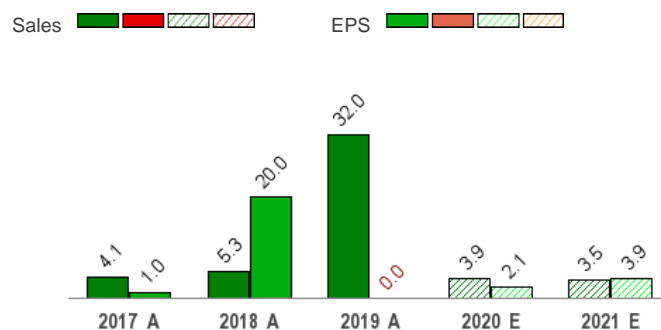
Last EPS Surprise	36.8%
Last Sales Surprise	2.0%
EPS F1 Estimate 4-Week Change	1.7%
Expected Report Date	11/04/2020
Earnings ESP	-4.9%

P/E TTM	7.4
P/E F1	8.3
PEG F1	1.2
P/S TTM	0.3

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	68,032 E	69,454 E	69,896 E	71,945 E	275,978 E
2020	66,755 A	65,341 A	66,310 E	68,480 E	266,738 E
2019	61,646 A	63,431 A	64,810 A	66,889 A	256,776 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.85 E	\$1.87 E	\$1.88 E	\$1.92 E	\$7.51 E
2020	\$1.91 A	\$2.64 A	\$1.38 E	\$1.44 E	\$7.23 E
2019	\$1.62 A	\$1.89 A	\$1.84 A	\$1.73 A	\$7.08 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/01/2020. The reports text is as of 09/02/2020.

Overview

Headquartered in Woonsocket, RI, CVS Health Corporation (formerly known as CVS Caremark Corporation) is a pharmacy innovation company with integrated offerings across the entire spectrum of pharmacy care. On Sep 3, 2014, CVS Caremark Corporation announced a change of its corporate name to CVS Health to reflect its broader health care commitment.

In Nov 2018, CVS Health completed the \$70-billion consolidation of insurance-giant Aetna. With the acquisition, the segments of CVS Health have been realigned.

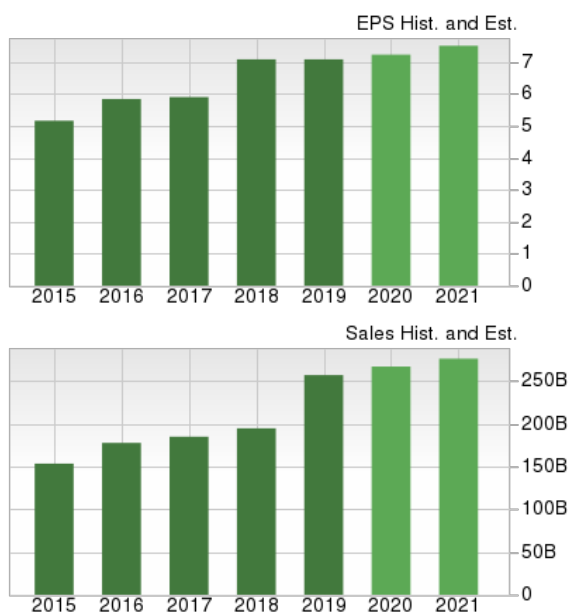
Effective first-quarter 2019, the company's SilverScript Medicare Part D prescription drug plan (PDP) has shifted from the Pharmacy Services segment to the Health Care Benefits segment. In addition, the mail order and specialty pharmacy operations of Aetna have been transitioned from the Health Care Benefits segment to the Pharmacy Services segment.

CVS currently has four reportable segments: Pharmacy Services, Retail/Low Cost Care (LTC), Health Care Benefits and Corporate/Other.

The Pharmacy Services segment provides a full range of pharmacy benefit management ("PBM") solutions, including plan design offerings and administration, formulary management, retail pharmacy network management services, mail order pharmacy, specialty pharmacy and infusion services, clinical services, disease management services and medical spend management.

The Retail/LTC segment sells prescription drugs and a wide range of general merchandise, including over-the-counter drugs, beauty products, cosmetics and personal care products, health care services through its MinuteClinic walk-in medical clinics and conducts long-term care pharmacy operations, which distribute prescription drugs and provide related pharmacy consulting and other ancillary services to chronic care facilities and other care settings.

The Health Care Benefits segment offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, medical management capabilities, Medicare Advantage and Medicare Supplement plans, PDPs, Medicaid health care management services, workers' compensation.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Share Price Performance:** Over the past year, CVS Health outperformed its industry. The stock has dipped 0.7% compared to the 4.5% decline of the industry. CVS Health ended the second quarter on a promising note with both earnings and revenues surpassing the respective Zacks Consensus Estimate. The year-over-year revenue rise was primarily driven by strong underlying core growth across all segments. Particularly, despite the unprecedented decline in utilization due to the pandemic, there was strong growth in the company's recently-introduced Health Care Benefits segment which benefitted from a significantly lower medical cost. Further, amid the pandemic situation, retail prescription home delivery volume improved sequentially by more than 500% in the second quarter. In addition, within specialty pharmacy capabilities, there was continued growth. The Coram infusion professionals have conducted more than 160,000 home visits year-to-date, collaborating with hospitals and providers to help transition eligible IV therapy patients to home-based care.

Increasing demand for PBM and specialty pharmacy along with significant growth observed in the retail business are encouraging.

Increased guidance amid the pandemic scenario is a positive.

▲ **COVID-19 Crisis Drives Growth:** During the time of coronavirus crisis, CVS Health's consumer centric digital strategy has become even more relevant as people are using technology more while they stay at home. So far in this period, the company achieved higher levels of engagement across its digital assets. This trend began in January and accelerated with COVID-19. Through the end of July, the company administered approximately 2 million COVID-19 tests with the vast majority scheduled digitally as a result of highly adaptable consumer centric digital health strategy. The company recently launched a new digital platform to assist with registering COVID-19 patients for clinical trials as vaccines and therapeutic treatments are developed. This new service is a natural extension of CVS Health's clinical and data analytics capabilities. According to the company, these new diagnostic and digital services will provide sustainable value for this enterprise as already 40% of those being tested at a CVS pharmacy were not pharmacy customers originally. However, under this pandemic situation, CVS Health is now connected with them digitally with the objective of making them long-term CVS customers. The company is also well-positioned to administer COVID-19 vaccines once they become available through its community presence, as well as on-site with Return Ready and long-term care solutions.

In terms of COVID-19 testing, the company continued to evolve HealthHUB footprint and offerings. Currently it has 205 locations open across 22 states, and is remaining on track to open approximately 1500 hubs by the end of 2021.

▲ **Health Care Benefit Shows Potential:** Following the colossal acquisition of health insurance giant Aetna for a colossal sum of \$70 billion, CVS Health has introduced a new business arm called Health Care Benefits. This segment has already started to show strong momentum, particularly in government business.

Revenue growth in the segment during the second quarter was driven by strong membership growth in the company's government product portfolio, expansion of its Medicare Advantage business and successful synergy benefit coming from the Aetna integration.

In this regard, we note that, CVS Health earlier expected to earn \$750 million from near-term synergies of Aetna integration with low to mid-single digit accretion in the second year post the transaction's closure. Per the company, shareholders can look forward to several outcomes with respect to near-term synergy including enhanced competitive positioning and a new combined platform that might redefine access to high-quality care at low cost, substantially accelerating the consolidated business' growth.

▲ **PBM Business Gaining Traction:** With regard to its 2021 PBM selling season, CVS Health has noted that, till the end of the second quarter, it has completed approximately 90% of renewals with strong retention rate of 98%. Till this period, the company won \$4.3 billion in gross new business for 2021 and continued to increase pharmacy penetration within the Aetna book of business with approximately \$250 in incremental revenue.

CVS Health earlier noted that, it has extended its contract with Centene through 2022. According to CVS health, service levels and performance metrics are currently remaining at historically high levels and the company expects to return to its historical retention levels in future periods.

▲ **Specialty Pharmacy – A High-Growth Avenue:** The soaring demand for specialty pharmacy, especially in the on-going decade, is likely to accelerate growth for the company. In the second quarter, Specialty pharmacy revenue increased 15% reflecting new client and existing channel growth. There was continued growth within specialty pharmacy capabilities. The Coram infusion professionals have conducted more than 160,000 home visits year-to-date, collaborating with hospitals and providers to help transition eligible IV therapy patients to home-based care.

We are also positive on the company's newly developed comprehensive set of programs to effectively manage specialty trends, which includes formulary exclusion strategy. According to recent data, 3 million people in the U.S. are currently in need of specialty treatment while the potential cost of treatment tends to be very high. With management's notification that the company's specialty business remains a top priority for customers, we believe CVS Health is well positioned to capitalize on that opportunity based on its broad, differentiated offering which includes the likes of Specialty Connect. Moving forward, management expects drug price inflation, new product launch, higher utilization and new PBM clients to fuel growth. We expect the segment to serve as a stable growth platform going forward.

▲ **Retail on a Growth Track:** Over the last few quarters, the retail Long Term Care business registered positive revenue growth after several quarters of drag. Despite the challenging environment, this business witnessed year-over-year growth of 1% in the second quarter. According to CVS Health, COVID-19 had a significant negative impact on segment performance on a reduction in new therapy prescriptions due to lower provider visits and reduced front store traffic. However, from June, the company started to see prescription volume growth accelerate, as members refilled 90-day prescriptions from March. In June, front store growth started to benefit from states reopening, followed by customers stocking up on key preventative and treatment items in the Sunbelt states during July.

▲ **Balance Sheet View Strong:** CVS Health ended the second quarter of 2020 with cash and cash equivalents of \$17.5 billion compared with \$12.7 billion at the end of the first quarter. Meanwhile, total debt came up to \$92.1 billion, a slight decline from the sequentially last figure of \$92.3 billion. Although, the quarter's total debt was much higher than the corresponding cash and cash equivalent level, the near-term payable debt is coming at \$9.96 billion, lower than the short-term cash level. This is a good news in terms of the company's solvency level as, at least during the year of economic downturn, the company is holding sufficient cash for debt repayment.

CVS Health's current debt level remains marginally high compared to the industry average of \$7.13 billion. The quarter's total debt-to-capital of 57.4% stands at a pretty high level right now indicating moderately leveraged balance sheet. However, it also represented a sequential decline from 58.5% at the end of the first quarter.

The company's second-quarter interest coverage stands at 4.8%, the highest in the past four quarters buoying optimism.

CVS Health's capital deployment policy is based on the return of shareholders' money through dividends and share buybacks. The company's current payout ratio stands at a 24.6%. Amid the pandemic-led economic crisis, if production and supply halt along with lockdowns continue through the next few months, the company might find its dividends to be over burdened.

Reasons To Sell:

▼ **COVID-19-Led Economic Crisis Mar Growth:** In the second quarter, CVS Health registered moderate reduction in discretionary medical utilization, largely driven by COVID-19. Within Pharmacy Services, the company noted major impact of the pandemic in the second quarter. Within Retail/LTC, the company estimated COVID-19 impacted adjusted script growth by about 200 basis points.

▼ **Near-term Challenges to Impede Growth:** For CVS Health, the year 2019 was a transition year that primarily focused on the colossal integration of Aetna. This accordingly, had certain adverse impacts on the year's operating income of its Pharmacy Services and Retail/LTC segments compared to 2018.

Ongoing pharmacy reimbursement pressure in the Pharmacy Services and Retail/LTC segments and reductions in the traditional offsets to those pressures, including a declining benefit from the introduction of new multi-source generic prescription drugs and lower benefits from generic dispensing rate increases.

These challenges are expected to persist through 2020 as well.

The reimbursement pressure in the Pharmacy Services segment is projected to be exacerbated by the cumulative effect on rebate guarantees of lower brand name drug price inflation and a modest selling season.

The Retail/LTC segment is projected to be impacted by structural and company specific challenges in the long-term care space as well as the annualization of the company's 2018 investment of a portion of the savings from the Tax Cuts and Job Act in wages and benefits.

▼ **Risk Related to Reimbursement Reduction:** A significant portion of CVS Health's net revenue is derived directly from Medicare, Medicaid and other government-sponsored health care programs. The company is therefore subject to federal and state reimbursement laws and regulatory requirements, anti-remuneration laws, the Stark Law and/or federal and state false claims laws. According to the company, the continued efforts of health maintenance organizations, managed care organizations, PBM companies, government entities, and other third party payors to reduce prescription drug costs and pharmacy reimbursement rates may impact its profitability. In particular, increased utilization of generic pharmaceuticals has resulted in pressure to decrease reimbursement payments to retail and mail order pharmacies for generic drugs, causing a reduction in the generic profit rate.

▼ **Competitive Landscape:** Despite significant new client wins in the course of a strong selling season, intense competition and tough industry conditions act as major impediments. Major competitors such as Walgreens, Target and Wal-Mart are expanding their pharmacy businesses. Competition is especially tough in the pharmacy segment, as other retail businesses continue to add pharmacy departments and low-cost pharmacy options become available. Discount retailers, in particular, have made substantial inroads in gaining market share.

▼ **Poor Macroeconomic Condition:** Although prescriptions and related health care service providers like CVS stay out of general macro-economic turmoil, the recent debt crisis and sluggish economic conditions in U.S. could impact consumer purchasing power. This may also influence preferences and spending patterns and result in low prescription utilization. In the reported quarter, CVS faced pricing pressure and higher operating and remediation expenses for its Medicare Part D prescription drug business.

Rising pressure to reduce reimbursement rates for generic drugs, disappointing retail performance, highly competitive market and pressure on margins provide stiff challenges to CVS Health.

Last Earnings Report

CVS Health Q2 Earnings Top Estimates on Robust Health Care Benefit Sales

CVS Health's second-quarter 2020 adjusted earnings per share (EPS) of \$2.64 increased 39.7% year over year and exceeded the Zacks Consensus Estimate by 36.8%. The adjusted EPS figure takes into account certain integration costs pertaining to the buyout of Aetna and asset amortization costs along with other adjustments.

On a reported basis, the company's earnings of \$2.26 per share improved 51.7% year over year.

Total revenues in the second quarter rose 3% year over year to \$65.34 billion. The top line also beat the Zacks Consensus Estimate by 1.9%.

Quarter Ending 06/2020

Report Date	Aug 05, 2020
Sales Surprise	1.95%
EPS Surprise	36.79%
Quarterly EPS	2.64
Annual EPS (TTM)	8.12

Quarter in Detail

Pharmacy Services revenues were up a marginal 0.1% to \$34.89 billion in the reported quarter. Growth was sluggish as year-over-year improvements in specialty pharmacy and brand inflation were largely offset by client losses and continued price compression.

Total pharmacy claims processed rose 3.4% on a 30-day equivalent basis, attributable to strong net new business, partially offset by reduced new therapy prescriptions on lower provider visits.

Revenues from CVS Health's Retail/LTC were up 1% year over year to \$21.66 billion. In the quarter, favorable pharmacy drug mix, growth in retail pharmacy prescription volume and brand inflation were partially offset by continued reimbursement pressure, the impact of recent generic introductions, decreased long-term care prescription volume and lower front store revenues.

Front store revenues decreased 4.6% year over year on reduced customer traffic in the retail pharmacies due to shelter-in-place orders. Prescriptions filled too dropped 1.1% on a 30-day equivalent basis on reduced new therapy prescriptions due to lower provider visits through the second quarter and decreased long-term care prescription volume. This was partially offset by the continued adoption of patient care programs.

Within Health Care Benefits segment, the company registered revenues worth \$18.47 billion in the second quarter, up 6.1% year over year. The improvement was primarily driven by membership growth in the Health Care Benefits segment's government products and favorable impact of the reinstatement of the HIF (Health Insurer Fee) for 2020. This was partially offset by the absence of the financial results of Aetna's standalone Medicare Part D prescription drug plans (PDPs) and membership declines in Commercial insured products.

Margin

Gross profit improved 17.4% to \$13.3 billion. Gross margin expanded 250 basis points (bps) to 20.4% in spite of 0.1% decline in total cost of product sold and benefit costs. Operating margin in the quarter under review grew 191 bps to \$7.16 billion on a 40.5% rise in operating profit to \$4.68 billion.

Outlook

CVS Health raised its 2020 adjusted EPS and cash flow guidance.

Adjusted EPS is expected in the band of \$7.14-\$7.27 (from the earlier band of \$7.04-\$7.17). The Zacks Consensus Estimate for 2020 earnings is pegged at \$7.11.

Full-year operating cash flow is expected in the range of \$11 billion-\$11.5 billion compared with the earlier projection of \$10.5 billion-\$11.0 billion.

Further, the company projects higher utilization in its Health Care Benefits segment in the second half of 2020 than in the first half and continued significant COVID-19 related investments in the remainder of the year.

Recent News

New Program to Prioritize Health Care Needs: Jul 15, 2020

CVS Health officially launched 'Time for Care', a campaign that reinforces the importance of accessing primary health care.

Aetna Initiatives in COVID-19: Jul 9, 2020

CVS Health announced that Aetna will waive out-of-pocket costs for in-network primary care and specialist telehealth visits for all Individual and Group Medicare Advantage plan members through September 30, 2020.

New CVS Pharmacy Feature: Jul 8, 2020

CVS Health announced that it has developed a latest feature of the CVS Pharmacy app, Spoken Rx, that can read a specific type of label for visual impaired patients and those unable to read standard print labels.

New Alliance for COVID Support: Jun 22, 2020

CVS Health along with the American Lung Association launched a campaign at CVS Pharmacy locations to support the latter's COVID-19 Action Initiative, thus expanding COVID-19 research and fund the development of new vaccines, detection tests and treatment to protect against future respiratory viruses.

Agreement with DuPage Medical: Jun 19, 2020

CVS Health announced an agreement to provide access to DuPage Medical Group providers in DuPage, Kane and Will counties in Illinois to members enrolled in Aetna Medicare Advantage plans.

New Initiative on Prescription Delivery: May 28, 2020

CVS Health announced that its CVS Pharmacy is working with Nuro, a robotics company engaged in delivery, to test prescription delivery in the Houston market effective in June.

New COVID-19 test sites: May 28, 2020

CVS Health announced that it will open additional COVID-19 test sites at select CVS Pharmacy drive-thru locations from May 29 to establish a total of 1,000 sites across more than 30 states and Washington, DC.

New Cost-sharing Initiatives: May 13, 2020

CVS Health announced that it is extending a variety of cost-sharing waivers and benefits to help Aetna members access the necessary care during the COVID-19 pandemic.

Partnership with Piedmont Healthcare: Apr 30, 2020

CVS Health announced that it is working with Piedmont Healthcare in Georgia to support their solutions for increasing hospital bed capacity.

Telehealth Measures for COVID-19: Apr 29, 2020

CVS Health announced that the company's retail medical clinic, MinuteClinic, is currently offering expanded telehealth options to enable patients access safe, affordable and convenient non-emergency care.

Valuation

CVS Health shares are down 18.9% in the year-to date period and down 0.7% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 21.5% while the Zacks Retail-Wholesale sector improved 39% in the year-to-date period. Over the past year, the Zacks sub-industry is down 4.5% and sector is up 48.3%.

The S&P 500 index is up 3.8% in the year-to-date period and up 15.3% in the past year.

The stock is currently trading at 8.1X Forward 12-months earnings, which compares to 7.8X for the Zacks sub-industry, 34.4X for the Zacks sector and 23.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.9X and as low as 7.2X, with a 5-year median 10.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$64 price target reflects 8.6X forward 12-months earnings.

The table below shows summary valuation data for CVS

Valuation Multiples - CVS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	8.13	7.83	34.43	23.2
	5-Year High	17.98	17.67	34.84	23.2
	5-Year Low	7.24	7.66	19.09	15.25
	5-Year Median	10.86	11.3	23.53	17.6
	Current	0.29	0.24	1.34	3.95

P/S F12M	5-Year High	0.7	0.65	1.34	3.95
	5-Year Low	0.21	0.24	0.82	2.53
	5-Year Median	0.39	0.41	0.99	3.07
P/B TTM	Current	1.15	1.14	6.38	4.53
	5-Year High	3.22	3.07	6.38	4.76
	5-Year Low	0.91	1.06	0.91	2.83
	5-Year Median	2.10	2.2	2.1	3.76

As of 09/01/2020

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



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Herbalife LTD. (HLF)	Outperform	2
Target Corporation (TGT)	Outperform	1
Universal Health Services, Inc. (UHS)	Outperform	1
Humana Inc. (HUM)	Neutral	2
The Kroger Co. (KR)	Neutral	2
Rite Aid Corporation (RAD)	Neutral	3
Walmart Inc. (WMT)	Neutral	3
Walgreens Boots Alliance, Inc. (WBA)	Underperform	4

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

Industry Comparison Industry: Retail - Pharmacies And Drug Stores				Industry Peers		
	CVS	X Industry	S&P 500	RAD	WBA	WMT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	A	-	-	B	A	A
Market Cap	78.89 B	4.04 B	23.95 B	707.63 M	31.85 B	418.23 B
# of Analysts	11	2	14	2	9	15
Dividend Yield	3.32%	0.00%	1.61%	0.00%	5.09%	1.46%
Value Score	A	-	-	C	A	B
Cash/Price	0.21	0.22	0.07	0.39	0.02	0.04
EV/EBITDA	7.61	6.78	13.32	13.55	5.94	13.26
PEG F1	1.15	1.46	3.05	NA	1.43	4.98
P/B	1.15	1.31	3.21	1.15	1.51	5.15
P/CF	5.76	5.07	12.92	2.11	4.39	16.67
P/E F1	8.34	11.36	21.84	25.64	7.16	28.06
P/S TTM	0.30	0.32	2.52	0.03	0.23	0.77
Earnings Yield	11.99%	9.47%	4.39%	3.86%	13.96%	3.56%
Debt/Equity	0.93	0.13	0.70	9.83	0.57	0.56
Cash Flow (\$/share)	10.47	3.36	6.93	6.13	8.38	8.85
Growth Score	A	-	-	C	B	A
Historical EPS Growth (3-5 Years)	10.17%	6.78%	10.41%	NA	9.15%	2.80%
Projected EPS Growth (F1/F0)	2.08%	18.71%	-4.75%	236.67%	9.56%	6.69%
Current Cash Flow Growth	-16.33%	-5.12%	5.22%	-53.93%	-2.42%	-0.12%
Historical Cash Flow Growth (3-5 Years)	14.66%	-9.96%	8.49%	-16.86%	11.05%	-0.31%
Current Ratio	0.98	1.22	1.35	1.47	0.69	0.79
Debt/Capital	48.15%	48.15%	42.92%	90.77%	36.22%	35.98%
Net Margin	3.13%	-1.84%	10.25%	-1.84%	0.55%	3.30%
Return on Equity	16.32%	-1.26%	14.66%	1.66%	19.43%	19.13%
Sales/Assets	1.16	1.66	0.50	2.25	1.66	2.29
Projected Sales Growth (F1/F0)	3.88%	3.02%	-1.40%	7.12%	3.02%	4.96%
Momentum Score	A	-	-	A	A	B
Daily Price Change	-2.96%	-1.94%	0.29%	-0.54%	-3.31%	6.29%
1-Week Price Change	-1.14%	-1.46%	2.59%	-0.80%	-1.77%	6.59%
4-Week Price Change	-7.23%	-10.88%	3.53%	-16.34%	-10.19%	12.12%
12-Week Price Change	-13.10%	-11.46%	2.09%	-9.82%	-18.82%	21.62%
52-Week Price Change	-0.68%	9.25%	4.31%	102.34%	-27.11%	28.74%
20-Day Average Volume (Shares)	6,890,884	2,184,484	1,816,754	2,157,199	5,888,227	12,732,964
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	-3.37%	0.00%
EPS F1 Estimate 4-Week Change	1.71%	0.86%	0.20%	0.00%	-3.91%	6.69%
EPS F1 Estimate 12-Week Change	2.05%	11.90%	3.86%	135.32%	-13.74%	6.63%
EPS Q1 Estimate Monthly Change	-16.31%	-2.79%	0.00%	0.00%	-5.58%	2.97%

Source: Zacks Investment Research

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	A
Growth Score	A
Momentum Score	A
VGM Score	A

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

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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.

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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.