

Digital Realty Trust (DLR)

\$162.33 (As of 06/14/21)

Price Target (6-12 Months): **\$173.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/08/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: D

Growth: D

Momentum: D

Summary

Shares of Digital Realty have outperformed its industry over the past six months. Recently, the company announced availability of Amazon Web Services (AWS) Direct Connect 100Gbps connections on PlatformDIGITAL® in Seattle and Dublin. It has also announced new data centers in downtown Toronto, Canada and Marseille, France, to boost presence across the globe. Notably, data centers are poised to benefit from the heightening reliance on technology and acceleration in digital transformation strategies by enterprises amid the pandemic. Capitalizing on such factors and backed by a healthy balance sheet, Digital Realty is expanding its portfolio on accretive acquisition and development efforts, growing its presence outside America. Yet, amid the competitive landscape, aggressive pricing pressure is likely to prevail in the upcoming period.

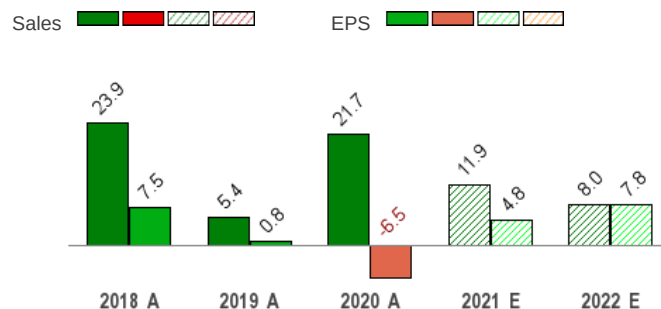
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$165.49 - \$124.65
20-Day Average Volume (Shares)	1,015,403
Market Cap	\$45.7 B
Year-To-Date Price Change	16.3%
Beta	0.09
Dividend / Dividend Yield	\$4.64 / 2.9%
Industry	REIT and Equity Trust - Other
Zacks Industry Rank	Bottom 16% (210 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.0%
Last Sales Surprise	3.9%
EPS F1 Estimate 4-Week Change	-0.1%
Expected Report Date	07/29/2021
Earnings ESP	-0.6%
P/E TTM	25.5
P/E F1	24.9
PEG F1	3.6
P/S TTM	11.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,139 E	1,184 E	1,193 E	1,213 E	4,719 E
2021	1,090 A	1,076 E	1,092 E	1,112 E	4,369 E
2020	823 A	993 A	1,025 A	1,063 A	3,904 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.70 E	\$1.73 E	\$1.77 E	\$1.80 E	\$7.03 E
2021	\$1.67 A	\$1.59 E	\$1.61 E	\$1.66 E	\$6.52 E
2020	\$1.53 A	\$1.54 A	\$1.54 A	\$1.61 A	\$6.22 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 06/14/2021. The report's text and the analyst-provided price target are as of 06/14/2021.

Overview

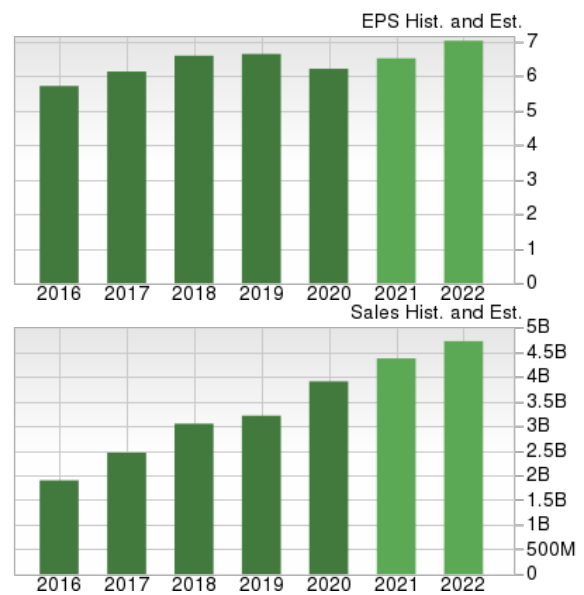
Digital Realty Trust is engaged in the ownership, acquisition, repositioning and management of the technology-related real estate. Specifically, the company offers data center, colocation and interconnection solutions for domestic and international tenants through its portfolio of data centers located throughout North America, Europe, Asia and Australia. The tenants belong to a wide variety of industry verticals, ranging from financial services, cloud and information technology services, to manufacturing, energy, healthcare and consumer products.

Headquartered in Austin, TX, Digital Realty is diversified in major metropolitan areas where data center and technology customers are concentrated. Particularly, in North America, the company has presence in Atlanta, Boston, Chicago, Dallas, Los Angeles, New York, Northern Virginia, Phoenix, San Francisco, Seattle, Silicon Valley and Toronto metropolitan areas.

As of Mar 31, 2021, the company's total portfolio comprised 290 data centers. This included 44 data centers held as investments in unconsolidated joint ventures. Specifically, 142 data centers are located in North America, 104 in Europe, 23 in Latin America, 12 in Asia, six in Australia and three in Africa. The portfolio contains 45.3 million square feet of space, including 7.7 million square feet under active development and 2.2 million square feet of space held for future development.

In recent years, Digital Realty has opted for strategic acquisitions which helped the company gain scale. Particularly, in March 2020, the company announced that it has completed the acquisition of Interxion, a provider of carrier and cloud-neutral colocation data-center services. The acquisition deal was announced in October 2019 and was valued at \$8.4 billion, including debt. It aids Digital Realty to gain a strong presence in Europe and capitalize on Interxion's expertise in the colocation and interconnection space in the region.

Note: All EPS numbers presented in this report represent funds from operations ("FFO") per share. FFO, a widely used metric to gauge the performance of REITs, is obtained after adding depreciation and amortization and other non-cash expenses to net income.



Reasons To Buy:

- ▲ Digital Realty has a high-quality diversified customer base comprising tenants from cloud, content, information technology, network, other enterprise, and financial industries. The company has a global presence with more than 290 facilities in 47 metros across 24 countries on six continents, with decent occupancy. The company is poised for growth with 4,000 global customers and growing. Tenant roster includes names like Facebook, IBM, Oracle, LinkedIn, Verizon, Comcast and others. Majority of its tenants are investment grade and numerous customers use multiple locations across the portfolio.
- ▲ Digital Realty is expected to ride on its growth curve backed by strategic acquisitions. In March 2020, the company completed the previously-announced acquisition of Interxion, a European provider of carrier and cloud-neutral colocation data-center services for a total consideration of \$8.4 billion, including debt. The combined company enjoys enhanced presence in major European metro areas, and its size and scale is expected to result in an efficient cost structure and superior EBITDA margins. During the January-March quarter, Digital Realty acquired a 66,400-square-foot building and an adjacent 4.7-acre land parcel in Brussels, Belgium that will support the development of 13.6 megawatts of IT capacity for €13 million, or about \$15 million. Following the quarter-end, Digital Realty acquired the freehold interest in 1.76 acres of land and a 76,000-square foot building housing its "CPH1" data center in Copenhagen, Denmark for DKK53 million, or around \$8 million. In fact, in recent years, the company has enhanced its presence in Europe, Australia and Asia through the development of high-quality facilities. We believe such expansion efforts have helped Digital Realty make its business global, and will drive the company's top and bottom lines in the years ahead.
- ▲ With growth in cloud computing, Internet of Things and big data, and an increasing number of companies opting for third-party IT infrastructure; data-center REITs are experiencing a boom market. Also, the estimated growth rates for the artificial intelligence, autonomous vehicle and virtual/augmented reality markets will remain robust over the next five to six years. Demand is strong in top-tier data center markets and despite enjoying high occupancy, the top-tier markets are absorbing new construction at a faster pace. These are anticipated to drive demand for data centers. Apart from these, data centers are poised to benefit from the heightening reliance on technology in the wake of the coronavirus pandemic. In fact, data gravity is driving data center demand and its PlatformDIGITAL is poised to capitalize on this.
- ▲ Additionally, the company delivered a healthy performance in first-quarter 2021 on solid data-center demand. Signed total bookings during the reported quarter are estimated to generate \$117 million of annualized GAAP rental revenues. This is expected to include a \$13-million contribution from interconnection. Notably, the weighted-average lag between leases signed during the first quarter and the contractual commencement date was eight months. Digital Realty signed renewal leases, marking \$193 million of annualized GAAP rental revenues during the March-end quarter. Rental rates on renewal leases signed during the quarter rolled up 3.2% on a GAAP basis. Also, the company generated first-quarter adjusted EBITDA of \$615 million, up 6% sequentially and 28% year on year. Moreover, with first-quarter bookings uniformly balanced across regions, the company's business has become increasingly global. Earlier, the company noted that it has delivered record bookings for the full-year 2020 and almost doubled the number of countries where Digital Realty has a presence. Particularly, EMEA accounted for more than half of its fourth quarter bookings, representing the first time ever a bulk of its bookings has been outside the Americas.
- ▲ The company focuses on maintaining a solid balance sheet and has ample liquidity, with diversified sources of capital. As a result of its proactive balance-sheet management, the company exited first-quarter 2021 with cash and cash equivalents of \$221.1 million, up from the \$108.5 million recorded at year-end 2020. Its debt maturity schedule is well ladderized, with weighted average maturity of 6.7 years and 2.3% weighted average coupon. Furthermore, with asset sales and use of proceeds to pay down debt, the company was able to bring net debt to adjusted EBITDA down to 5.6 times, in line with its long-term target range. Also, proactive liability management helped fixed charge coverage reach an all-time high of 5.8 times. Further, 98% of its total debt is unsecured, offering flexibility for capital recycling. The company strategically taps the debt and the equity market to bolster its balance sheet and leverage on growth scopes. In addition, Digital Realty currently enjoys BBB (Outlook Positive)/BBB (Outlook Stable)/Baa2 (Outlook Stable) credit rating from S&P Global, Fitch and Moody's.
- ▲ Additionally, solid dividend payouts are the biggest enticement for REIT shareholders, and Digital Realty remains committed to that. In February 2021, the company announced a 3.6% hike in dividend to \$1.16 per share. The company has raised dividend every year since its initial public offering and the latest dividend hike marked the 16th consecutive year of increase. Given its solid operating platform and balance-sheet management efforts, the company remains well poised to sustain the dividend payment.
- ▲ Shares of Digital Realty have outperformed its industry over the past six months. The stock has gained 25.9% compared with the industry's rally of 20.3% during the same period. Moreover, the trend in estimate revision of 2021 FFO per share indicates an upbeat outlook, with the estimate being revised marginally upward over the past week. Therefore, given the progress on fundamentals and upward estimate revisions, the stock has decent upside potential in the near term.

Digital Realty is well poised to grow amid robust demand for data centers, accretive acquisitions, development efforts and solid balance-sheet strength. Rising dividends augur well for shareholders.

Reasons To Sell:

- ▼ Digital Realty faces stiff competition in its industry. The company competes with several data-center developers, owners and operators, many of whom enjoy ownership of similar assets in locations same as Digital Realty. Also, there are a number of local developers in the United States, and several regional operators in Europe, Asia and Australia. Given the solid growth potential of the data center real estate market, competition is expected to increase in the upcoming period from existing players, as well as the entry of new players. Amid this, there is likely to be aggressive pricing pressure in the data-center market.
- ▼ Digital Realty has a significant number of properties situated outside the United States. The company is also considering making additional international acquisitions. Although a sound global footprint helps the company meet rising data center requirements of customers around the world, the process exposes the company's earnings to foreign currency translation.
- ▼ While data centers are largely unaffected by the pandemic, the company noted that construction activity has been delayed in a few markets due to government restrictions in certain locations and/ as a resulted of limited availability of labor and these delays are affecting some of its anticipated deliveries to customers. Moreover, the company has received requests for rent relief related to COVID-19, most often in the form of rent deferral requests or requests for further discussion, from customers representing around 3% of annualized recurring rent.

Digital Realty faces cut-throat competition in the industry, leading to aggressive pricing pressure. In addition, notable exposure to foreign currency translation is a concern for the company.

Last Earnings Report

Digital Realty Beats Q1 FFO Estimates, Raises '21 View

Digital Realty delivered first-quarter 2021 core FFO per share of \$1.67, beating the Zacks Consensus Estimate of \$1.59. Results highlight better-than-anticipated revenue numbers. The reported figure also compares favorably with the year-ago quarter's \$1.53.

The company registered operating revenues of \$1.1 billion in the first quarter, marking a 32.4% year-over-year jump. The revenue figure also outpaced the Zacks Consensus Estimate of \$1.05 billion.

Decent leasing activities and strong signed total bookings aided results. Digital transformation is driving steady demand. The data-center REIT has also raised the core FFO per share outlook for 2021.

According to Digital Realty's CEO A. William Stein, "Our first-quarter bookings were very well balanced across products and regions, reflecting the strength of our full-service global platform. We are investing to support customer growth and to continue to enhance the value of our comprehensive product offerings, and we remain well positioned to continue to deliver sustainable growth for all stakeholders."

Quarter in Detail

Signed total bookings during the reported quarter are estimated to generate \$117 million of annualized GAAP rental revenues. This is expected to include a \$13-million contribution from interconnection. Notably, the weighted-average lag between leases signed during the first quarter and the contractual commencement date was eight months.

Digital Realty signed renewal leases, marking \$193 million of annualized GAAP rental revenues during the March-end quarter. Rental rates on renewal leases signed during the quarter rolled down 2.1% on a cash basis but went up 3.2% on a GAAP basis.

Also, the company generated first-quarter adjusted EBITDA of \$615 million, up 6% sequentially and 28% year on year.

Portfolio Activity

During the January-March quarter, Digital Realty acquired a 66,400-square-foot building and an adjacent 4.7-acre land parcel in Brussels, Belgium that will support the development of 13.6 megawatts of IT capacity for €13 million, or about \$15 million.

The data-center REIT closed on the sale of a portfolio of 11 data centers in Europe for a total of roughly \$680 million. Moreover, it sold a 6.4-acre land parcel in Ashburn, VA for \$12 million and a 30,400-square-foot vacant building in Waltham, MA for around \$2 million.

Balance Sheet

Digital Realty exited first-quarter 2021 with cash and cash equivalents of \$221.1 million, up from the \$108.5 million recorded at year-end 2020. Additionally, as of Mar 31, 2021, the data-center REIT had \$13.3 billion of total debt outstanding, of which \$13.1 billion was unsecured debt and \$0.2 billion was secured debt. Also, as of the same date, its net debt-to-adjusted EBITDA was 5.6X, while fixed charge coverage was 5.8X.

Guidance

Digital Realty raised the estimate for 2021 core FFO per share to \$6.50-\$6.55 from the \$6.40-\$6.50 guided earlier.

It projects full-year total revenues of \$4.3-\$4.4 billion compared with the \$4.25-\$4.35 billion projected earlier, adjusted EBITDA of \$2.33-\$2.38 billion versus the \$2.3-\$2.35 billion estimated before. However, the guidance remains unrevised for year-end portfolio occupancy of 84-85% and same-capital cash NOI decline of 2.5-3.5%.

Quarter Ending 03/2021

Report Date	Apr 29, 2021
Sales Surprise	3.91%
EPS Surprise	5.03%
Quarterly EPS	1.67
Annual EPS (TTM)	6.36

Recent News

Digital Realty Deploys AWS 100G at Seattle, Dublin Facilities - Jun 3, 2021

Digital Realty announced the availability of AWS Direct Connect 100Gbps connections on PlatformDIGITAL® in Seattle and Dublin. For AWS customers, the low-latency, high-availability connections at strategic centers of data exchange opens up scope for growth and tackles data-gravity issues.

Per management, "opening of AWS Direct Connect 100Gbps on-ramps significantly expands opportunities for customers to scale their digital transformation through our global PlatformDIGITAL®."

The latest deployment of the AWS capabilities has taken place at the company's Westin Building Exchange in Seattle and on its Interxion Dublin Campus in Ireland. The move is a strategic fit, and the Westin Building Exchange serves as a primary inter-connection hub for the Pacific Northwest, linking Canada, Alaska and Asia along the Pacific Rim. This densely inter-connected facility in North America is home to prominent global cloud, content and inter-connection providers.

Moreover, Interxion Dublin serves as a prime location for the new AWS Direct Connect 100Gbps. Ireland is an important global trading hub and serves as headquarters location for numerous global multi-nationals in the software, finance and life-science industries. In addition, multiple transatlantic cables land in Ireland before continuing to the U.K. or continental Europe.

Digital Realty Grows with Toronto & Marseille Data Centers - May 27, 2021

Digital Realty has announced new data centers in downtown Toronto, Canada and Marseille, France, in a bid to boost its presence across the globe. The move comes as the company builds up its global data-center platform — PlatformDIGITAL® — to leverage on the favorable trends as industries speed up digital transformations globally.

Particularly, in downtown Toronto, Digital Realty is opening up 800kw and 6,900 ft² of new colocation facilities. Named YYZ12 data center, this facility marks the company's third data center in Greater Toronto and will be fully interconnected with redundant dark fiber paths to Digital Realty's TOR1 data center in Vaughan, management noted. It would enable the deployment of network hubs on PlatformDIGITAL® for scaling digital business.

Notably, Toronto is a vital hub of data attraction for financial services, banking and the insurance industries and per the Data Gravity Index DGX™, the city is in the top 10 metros in terms of growth in data gravity intensity for these sectors through 2024. This makes sense for Digital Realty to expand its platform in the region.

Moreover, the company broke ground on its fourth center of data exchange in the key interconnection hub in the southern port city of Marseille in France. The new site named as MRS4 will provide 13.6 MW of capacity as well as direct access to 14 submarine cables landing in Marseille. As a result, it will extend the global reach of PlatformDIGITAL® with low-latency connectivity options between the Americas, Europe, Africa, and Asia.

Digital Realty Unit Picked by VEXXHOST for Expansion - May 13, 2021

Digital Realty's unit — Interxion — was picked by the Canadian cloud computing provider, VEXXHOST, to support the expansion of its public and private hybrid IT solutions worldwide to the rising customer base.

Interxion's dense connectivity in Amsterdam will be particularly leveraged by VEXXHOST for expansion and delivery of its cloud services at scale across PlatformDIGITAL®.

Amid rampant digital transformation, enterprises are deploying data-centric architectures that tackle data localization, governance and compliance. With Interxion being chosen as the primary data-center provider in EMEA, VEXXHOST will be able to scale public and private hybrid solutions, and aid its clients directly deal with data gravity challenges.

Notably, Interxion's connected Amsterdam hub is a crucial center of data exchange on Digital Realty's PlatformDIGITAL®. For VEXXHOST, the implementation there denotes the establishment of its first European public cloud region.

Digital Realty Opens Largest Data Center in Singapore – Apr 5, 2021

Expanding its footprint in Singapore, Digital Realty unveiled its largest data center in the region. The facility, known as Digital Loyang II or SIN12, is the data-center operator's third facility in Singapore and marks its total committed investment to date to more than US \$1 billion in the region.

The 50-megawatt data center will enable local and multi-national enterprises to utilize PlatformDIGITAL — Digital Realty's global data center platform — for the deployment of critical infrastructure and scaling of their respective digital businesses.

With strong prospects for data center growth in Singapore, Digital Realty's expansion in the region is a strategic fit. In fact, SIN12 is considerably pre-leased to numerous preeminent global cloud service providers, local and global financial service providers and leading Southeast Asia enterprises.

Further, SIN12 will offer a wide array of colocation services, catering to regional customers in Singapore. This will enable customers to expand their critical infrastructure on-demand in a connected data ecosystem and proximity to carriers, cloud service providers and network.

Moreover, the new facility is adjacent to Digital Loyang I or SIN11 and both data centers are connected by diverse high-count fiber routes. This offers new connection opportunities to customers in both facilities to connect directly through dark fiber cross-connects and gain access to a

connected data community on Digital Realty's open global platform.

Per management, "The transition to the digital economy has impacted the way companies across all industries create and deliver value. There's a growing need for a combination of open interconnection and next-generation colocation that will reduce the complexity of digital transformation. Expanding our footprint in Singapore will enable us to better help our customers enhance their digital transformation efforts and scale their digital business models regionally as well as globally."

Dividend Update

On May 10, 2021, the company announced a quarterly cash dividend to \$1.16 per share for second-quarter 2021. The dividend will be paid out on Jun 30, to the common stockholders as of Jun 15, 2021.

Valuation

Digital Realty shares have been up 16.3% in the trailing 12 months. Stocks in the Zacks sub-industry and the Zacks Finance sector have increased 23% and 45.8%, respectively.

The S&P 500 Index is up 40.7% over the trailing 12-month period.

The stock is currently trading at 24.00X forward 12-month FFO, which compares to 22.28X for the Zacks sub-industry, 16.62X for the Zacks sector and 21.86X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 25.26X and as low as 14.54X, with a 5-year median of 17.78X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$173 price target reflects 25.60X FFO.

The table below shows summary valuation data for DLR.

Valuation Multiples - DLR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.00	22.28	16.62	21.86
	5-Year High	25.26	22.28	17.24	23.83
	5-Year Low	14.54	14.57	11.60	15.31
	5-Year Median	17.78	16.41	14.94	18.05
P/S F12M	Current	10.04	8.71	8.56	4.73
	5-Year High	12.08	8.71	8.56	4.74
	5-Year Low	6.25	5.47	5.08	3.21
	5-Year Median	7.61	6.41	6.21	3.72
P/B TTM	Current	2.62	2.78	3.39	7.07
	5-Year High	5.88	2.80	3.42	7.07
	5-Year Low	1.98	1.63	1.77	3.84
	5-Year Median	2.56	2.33	2.64	5.02

As of 06/11/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 16% (210 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
American Tower Corporation (AMT)	Neutral	3
Crown Castle International Corporation (CCI)	Neutral	3
CyrusOne Inc (CONE)	Neutral	3
CoreSite Realty Corporation (COR)	Neutral	3
Equinix, Inc. (EQIX)	Neutral	3
Iron Mountain Incorporated (IRM)	Neutral	3
SBA Communications Corporation (SBAC)	Neutral	3
Uniti Group Inc. (UNIT)	Neutral	3

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

Industry Comparison Industry: Reit And Equity Trust - Other				Industry Peers		
	DLR	X Industry	S&P 500	CONE	COR	EQIX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	C	C	C
Market Cap	45.67 B	3.05 B	30.51 B	9.79 B	5.73 B	73.10 B
# of Analysts	11	4	12	9	8	8
Dividend Yield	2.86%	2.74%	1.28%	2.55%	3.69%	1.41%
Value Score	D	-	-	C	C	D
Cash/Price	0.00	0.03	0.05	0.02	0.00	0.02
EV/EBITDA	27.04	19.57	17.43	23.41	23.86	35.64
PEG F1	3.59	3.30	2.13	0.91	1.16	1.82
P/B	2.62	1.64	4.16	3.75	117.32	6.91
P/CF	24.84	16.37	17.74	19.34	22.59	40.20
P/E F1	24.90	19.96	21.48	20.20	24.24	29.98
P/S TTM	10.95	7.91	3.50	9.02	9.28	11.89
Earnings Yield	4.02%	4.92%	4.57%	4.95%	4.13%	3.34%
Debt/Equity	0.76	0.87	0.66	1.29	35.58	1.21
Cash Flow (\$/share)	6.53	1.70	6.83	4.13	5.90	20.30
Growth Score	D	-	-	B	B	B
Historical EPS Growth (3-5 Years)	3.08%	0.82%	9.44%	10.18%	9.62%	13.43%
Projected EPS Growth (F1/F0)	4.88%	6.20%	21.49%	1.45%	3.51%	9.93%
Current Cash Flow Growth	1.00%	-2.35%	0.86%	17.89%	8.78%	0.20%
Historical Cash Flow Growth (3-5 Years)	15.90%	10.49%	7.28%	31.59%	13.98%	19.92%
Current Ratio	0.67	1.63	1.39	2.06	0.18	1.55
Debt/Capital	42.02%	46.73%	41.51%	56.28%	97.27%	54.81%
Net Margin	12.43%	10.86%	11.95%	4.13%	13.50%	6.62%
Return on Equity	3.31%	2.60%	16.36%	1.75%	93.72%	5.85%
Sales/Assets	0.12	0.11	0.51	0.16	0.28	0.23
Projected Sales Growth (F1/F0)	12.96%	6.44%	9.41%	11.74%	6.91%	10.14%
Momentum Score	D	-	-	F	F	C
Daily Price Change	-1.06%	-0.05%	0.19%	-2.71%	-3.41%	-0.84%
1-Week Price Change	4.52%	3.06%	0.41%	6.80%	5.82%	3.90%
4-Week Price Change	8.95%	7.30%	1.76%	14.84%	13.21%	13.02%
12-Week Price Change	21.49%	11.20%	8.54%	20.31%	15.72%	24.96%
52-Week Price Change	19.26%	27.58%	39.66%	9.87%	11.64%	20.60%
20-Day Average Volume (Shares)	1,015,403	590,776	1,744,383	1,035,948	423,042	472,639
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	-0.05%	0.00%
EPS F1 Estimate 4-Week Change	-0.08%	0.00%	0.03%	0.00%	-0.03%	0.00%
EPS F1 Estimate 12-Week Change	0.85%	0.32%	3.52%	0.96%	0.17%	-0.20%
EPS Q1 Estimate Monthly Change	-0.28%	0.00%	0.00%	-0.13%	-0.04%	0.00%

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	D
Growth Score	D
Momentum Score	D
VGM Score	D

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

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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.