

GameStop Corp. (GME)

\$7.65 (As of 09/01/20)

Price Target (6-12 Months): **\$8.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/15/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: B

Summary

Shares of GameStop have risen and outpaced the industry in the past three months. The stock got a boost after RC Ventures acquired a stake in the company. No wonder the company has been suffering from consumers inclination toward downloading or streaming games online. Undeniably, the pandemic has further hit the performance, as evident from dismal first-quarter fiscal 2020 results. Management cautioned that challenges encountered in the first quarter will persist in the second quarter. Nonetheless, GameStop remains focused on containing costs, optimizing inventory, expanding high margin product categories and upgrading omni-channel features. Further, it is well poised to capitalize on the likely increase in hardware and software sales due to the introduction of several new software titles and next generation consoles in the later part of the year.

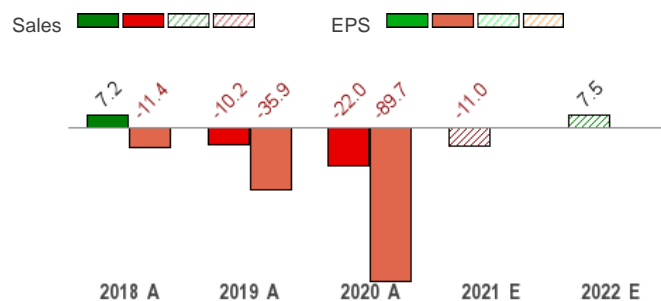
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$7.82 - \$2.57
20-Day Average Volume (Shares)	5,737,155
Market Cap	\$432.6 M
Year-To-Date Price Change	9.9%
Beta	1.34
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Consumer Electronics
Zacks Industry Rank	Top 47% (119 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	8.5%
Last Sales Surprise	-0.8%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	09/09/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,342 E	1,182 E	1,374 E	2,330 E	6,182 E
2021	1,021 A	938 E	1,227 E	2,566 E	5,752 E
2020	1,548 A	1,286 A	1,439 A	2,194 A	6,466 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-\$0.33 E	-\$0.80 E	\$0.05 E	\$1.99 E	\$0.19 E
2021	-\$1.61 A	-\$1.27 E	-\$0.56 E	\$2.22 E	-\$1.50 E
2020	\$0.07 A	-\$0.32 A	-\$0.49 A	\$1.27 A	\$0.22 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	0.1

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 Grapevine, TX, GameStop Corp. is the world's largest video game retailer. The company offers the best selection of new and pre-owned video gaming consoles, accessories and video game titles, in both physical and digital formats. The company's unique buy-sell-trade program allows customers to trade in video game consoles, games, and accessories, as well as other electronics for cash or in-store credit. Through all its channels, the company sells various types of digital products, including downloadable content, network points cards, prepaid digital, prepaid subscription cards and digitally downloadable software as well as collectible products.

The company also publishes Game Informer, the world's largest print and digital video game publication featuring reviews of new title releases, game tips and news regarding current developments in the video game industry. It also operates PowerUp Rewards program.

The company operates business in four geographic segments: United States, Canada, Australia and Europe. The company operates more than 5,000 stores across 10 countries.

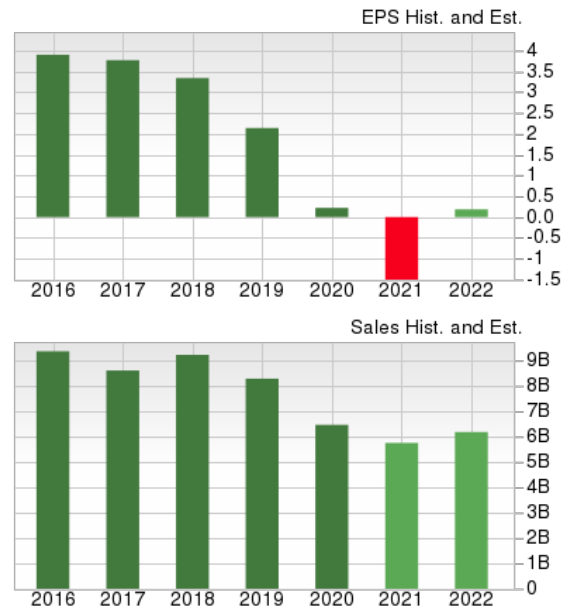
Categorization of Products

Hardware and Accessories (42.1% of FY19 Sales): GameStop offers new and pre-owned video game platforms from the major console and PC manufacturers. The current generation of consoles include the Sony PlayStation 4 (2013), Microsoft Xbox One (2013) and the Nintendo Switch (2017). Accessories consist primarily of controllers, gaming headsets, virtual reality products and memory cards.

Software (46.5% of Sales): The company provides new and pre-owned video game software for current and certain prior generation consoles. It also sells a wide variety of in-game digital currency and digital downloadable content.

Collectibles (11.4% of Sales): The category consists of licensed merchandise, primarily related to the video game, television and movie industries and pop-culture themes, which are sold through the company's video game store and e-commerce properties, and ThinkGeek and Zing Pop Culture stores.

As per the company's filing on Aug 31, RC Ventures, an investment firm managed by Ryan Cohen, acquired a 9.6% stake with about 6,215,326 shares.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Stock Gains Momentum:** Shares of GameStop have risen 59.8% in the past three months, comfortably outpacing the industry's rally of 36.9%. The stock got a boost after RC Ventures, an investment firm managed by Ryan Cohen, co-founder of online pet-supply retailer, Chewy, acquired a stake in the company. Per GameStop's latest filing on Aug 31, the RC Ventures has a 9.6% stake in the company with about 6,215,326 shares. In an earlier filing on Aug 28, the company notified that RC Ventures acquired a 9%-stake, equivalent to 5,80,000 shares.
- ▲ **Strategic Endeavors:** GameStop is undertaking strategic endeavors to bring the company back on track. These involve cost containment efforts, optimization of inventory, focusing on high margin product categories such as PC gaming accessories, private label and collectibles, and rationalization of store base worldwide with plans to close about 420 stores in fiscal 2020. The company has been focusing on augmenting store experience, expanding and redesigning PowerUp Rewards loyalty program, enhancing digital capabilities and improving engagement with vendors and partners. The company has been enhancing omni-channel features such as "Buy Online Pick Up In Store" and ship from store capabilities to meet the increased demand for products as more consumers work, learn, and play from home in the wake of coronavirus outbreak.
- ▲ **Online Sales Gaining Traction:** Roughly 65% of stores were providing limited curbside pickup following the closure of 3,526 stores effective March 22. In fact, even in the last six-weeks of the first quarter of fiscal 2020 almost 48% stores were completely non-operational globally, while roughly 42% stores were offering limited curbside delivery option. Nevertheless, all stores in Australia, which represents about 10% of the total store count, remained open. Notably, higher demand stemming from the region resulted in comparable store sales growth of 35%. Notably, the company's e-commerce business remained sturdy with sales up 519% during the quarter under review. E-commerce sales soared more than 1,000% during the six weeks when stores were temporarily closed to customer access. The momentum gained continued in the month of May as well with e-commerce sales up more than 1400%. Total e-commerce sales grew to more than 50% of total sales during the quarter under review.
- ▲ **Positive Adjusted EBITDA for FY20:** GameStop has been focusing on lowering discretionary spending, improving liquidity and maintaining favorable inventory position owing to the coronavirus pandemic. The company intends to allocate resources in high value strategic projects that can produce sturdy cash flow. Further, the company remains well poised to capitalize on the likely increase in hardware and software sales courtesy of the introduction of several new software titles and next generation consoles in the later part of the year. Considering aforementioned initiatives and expected trajectory of the business, management anticipates to generate positive adjusted EBITDA for fiscal 2020.
- ▲ **Focusing on Profitable Zones:** Management plans to shift focus from underperforming areas to those with high-profit potential. In sync with this, the company is on track with making improvements in the physical video game retail business model. It is also on track with exploring opportunities in the digital arena. Further, the company plans to augment technology and data analytics capabilities. It also announced a series of strategic partnerships to boost presence in the gaming industry and widen customer reach. In sync with this, the company has undertaken partnerships with Complexity Gaming, Infinite eSports as well as Entertainment and Envy Gaming among several others. The company is exiting loss-incurring businesses and closing underperforming stores. The company began to wind down operations in Denmark, Finland, Norway and Sweden to counter the weak industry trends, and is likely to exit these markets by late July. The company is utilizing the proceeds from sale of non-core business units to lower debt burden. We note that as part of the company's comprehensive review process, it concluded the sale of Spring Mobile business on Jan 16, 2019. Moreover, the company completed the divestiture of Simply Mac to Cool Holdings in September 2019.
- ▲ **Strong Footing in Gaming Arena:** GameStop continues to branch out its business and has evolved as a mixed retailer of physical and digital gaming as well as electronics products. The company's venture into digital, iDevice and gaming tablet businesses have been accretive to its results. Also, the company's buy-sell-trade model of selling new games and buying back used games, and the PowerUp Rewards program have made it a popular destination for shoppers. The company's pre-owned trade capabilities and solid omni-channel presence are also encouraging.
- ▲ **Financial Flexibility:** GameStop ended first-quarter fiscal 2020 with cash and cash equivalents of \$570.3 million — reflecting \$135 million drawn under its revolving credit facility — portraying an increase of 5% on a sequential basis. The company's cash position looks sufficient to meet the current portion of long-term debt of \$417.2 million. Notably, the company has no long-term debt. Also, we note that accounts payable and inventory were down 44.3% to \$212.1 million and 43% to \$654.7 million, respectively, on a quarter-on-quarter basis. As of June 3, the company had reduced its outstanding borrowings under the facility to about \$100 million. In fact, by the end of second-quarter fiscal 2020 management envisions to hold nearly \$575-\$625 million as total cash and liquidity on the back of its efficient working capital management efforts. Moreover, on June 4, the company announced an exchange offer and consent solicitation for the remaining unsecured notes due to mature in March 2021. The new notes, if issued, will provide additional financial flexibility by replacing and extending the maturity of the existing notes validly tendered in the exchange offer until 2023.

GameStop has been undertaking cost containment efforts, optimizing inventory, focusing on high-margin product categories, rationalizing store base and lowering debt.

Reasons To Sell:

- ▼ **Dismal Top-Line Performance:** GameStop has been grappling with dismal top-line performance for quite some time now. Net sales not only missed the Zacks Consensus Estimate for the sixth quarter in row but also declined year over year during the first quarter of fiscal 2020. Net sales came in at \$1,021 million, down 34% year over year thanks to soft comparable store sales performance, store closures and adverse currency fluctuations. The top line also lagged the Zacks Consensus Estimate of \$1,030 million. By sales mix, hardware and accessories sales declined 21.8% to \$513.1 million. This is reflective of store closures. While software sales fell 43.1% to \$417 million, collectibles sales decreased 42.5% to \$90.9 million. The company pointed that only few new software titles were launched during the quarter. Management cautioned that challenges encountered in the first quarter will persist in the second quarter.
- ▼ **Soft Comps Run:** The company continues with soft comparable store sales run during the first quarter of fiscal 2020. We note that consolidated comparable store sales fell 17% excluding stores that were closed during the quarter as a result of the pandemic. Including the impact of stores, which were closed for the majority of the quarter, comparable stores sales plunged approximately 30%. This followed a decline of 26.1% and 23.2% in the preceding two quarters. Management notified that comparable store sales for the month of May have slid approximately 4%. Management highlighted that the company continues to witness temporary headwind related to lower current generation console hardware and software sales. This is due to customers delaying console purchases in anticipation of new platform launches expected in the later part of 2020.
- ▼ **Contraction in Margin:** Margin remains an important financial metric to determine the health of the company. Gross profit fell 40.1% year over year to \$282.4 million during the first quarter of fiscal 2020. Again, gross margin contracted 270 basis points to 27.7% owing to the increased mix of hardware compared with the year-ago period. In spite of a decline of 16% in adjusted SG&A expenses during the quarter, the metric, as a percentage of net sales, deleveraged 800 basis points to 37.3%. The company reported adjusted operating loss of \$98.8 million against adjusted operating income of \$17.5 million.
- ▼ **Stiff Competition:** The video game industry is highly competitive, and video game shoppers now have many alternatives to buy software, hardware, and game accessories for video game systems and personal computers. Retail bigwigs such as Wal-Mart, Target and Best Buy have also entered the video game market. These larger retailers could dent GameStop's sales and margins. Moreover, consumers can only download a limited number of PC entertainment software and older generation video games from the Internet. However, with the advancement of technology, if the consumers' accessibility increases, they may no longer prefer to buy PC entertainment software and video games through the company's retail stores.
- ▼ **Dip in Consumer Sentiment May Impact Sales:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse. Consumers are avoiding discretionary spending and focusing on necessities for the time being.

GameStop continues with soft comps run in the first quarter of fiscal 2020. Management cautioned that challenges encountered in the first quarter will persist in the second quarter.

Last Earnings Report

GameStop Reports Q1 Loss & Sales Decline

GameStop Corp. reported dismal first-quarter fiscal 2020 performance on account of the coronavirus outbreak that compelled the company to close majority of its stores. The videogame retailer reported a loss and continued to grapple with soft top-line performance. Net sales not only missed the Zacks Consensus Estimate for the sixth quarter in row but also declined year over year. Comparable store sales results also disappointed.

Quarter Ending **04/2020**

Report Date	Jun 09, 2020
Sales Surprise	-0.83%
EPS Surprise	8.52%
Quarterly EPS	-1.61
Annual EPS (TTM)	-1.15

Let's Delve Deeper

It's quite obvious that GameStop bore the brunt of temporary store closures that were undertaken to check the spread of COVID-19. The company had shut all its U.S. stores — a total of 3,526 effective Mar 22. Notably, roughly 65% of stores were providing limited curbside pickup.

In fact, even in the last six-weeks of the quarter almost 48% stores were completely non-operational globally, while roughly 42% stores were offering limited curbside delivery option. Nevertheless, all stores in Australia, which represents about 10% of the total store count, remained open. Notably, higher demand stemming from the region resulted in comparable store sales growth of 35%.

To mitigate the impact of this catastrophe, GameStop enhanced omni-channel capabilities to meet customer orders through curbside pick-up. It comes as no wonder that the company is focusing on lowering discretionary spending, improving liquidity and maintaining favorable inventory position. The company intends to allocate resources in high value strategic projects that can produce sturdy cash flow. Further, the company remains well poised to capitalize on the likely increase in hardware and software sales courtesy of the introduction of several new software titles and next generation consoles in the later part of the year.

Considering aforementioned initiatives and expected trajectory of the business, management anticipates to generate positive adjusted EBITDA for fiscal 2020. However, management cautioned that challenges encountered in the first quarter will persist in the second quarter.

GameStop is making every effort to improve performance. It is exiting loss-incurring businesses and closing underperforming stores. During the quarter, the company closed a net total of 181 stores. Moreover, the company remains focused on expanding high margin product categories. The company also plans to augment store experience, enhance digital capabilities and improve engagement with vendors and partners. Further, the company is enhancing omni-channel features such as "Buy Online Pick Up In Store."

Q1 Performance

GameStop posted adjusted loss of \$1.61 per share, narrower than the Zacks Consensus Estimate of loss of \$1.76. Notably, the company reported an earnings of 7 cents in the year-ago period. Lower net sales hurt the company's bottom line.

Net sales of \$1,021 million declined 34% year over year thanks to soft comparable store sales performance, store closures and adverse currency fluctuations. The top line also lagged the Zacks Consensus Estimate of \$1,030 million.

We note that consolidated comparable store sales fell 17% excluding stores that were closed during the quarter as a result of the pandemic. Including the impact of stores, which were closed for the majority of the quarter, comparable stores sales plunged approximately 30%. This followed a decline of 26.1% and 23.2% in the preceding two quarters. Management notified that comparable store sales for the month of May have slid approximately 4%.

Notably, the company's e-commerce business remained sturdy with sales up 519% during the quarter under review. E-commerce sales soared more than 1,000% during the six weeks when stores were temporarily closed to customer access. The momentum gained continued in the month of May as well with e-commerce sales up more than 1400%. Total e-commerce sales grew to more than 50% of total sales during the quarter under review.

By sales mix, hardware and accessories sales declined 21.8% to \$513.1 million. This is reflective of store closures. While software sales fell 43.1% to \$417 million, collectibles sales decreased 42.5% to \$90.9 million. The company pointed that only few new software titles were launched during the quarter.

Moving on, gross profit fell 40.1% year over year to \$282.4 million. Again, gross margin contracted 270 basis points to 27.7% owing to the increased mix of hardware compared with the year-ago period.

Adjusted SG&A expenses declined 16% to \$381.2 million in the reported quarter. However, as a percentage of net sales, the metric deleveraged 800 basis points to 37.3%. The company reported adjusted operating loss of \$98.8 million against adjusted operating income of \$17.5 million.

Other Financial Aspects

GameStop ended the quarter with cash and cash equivalents of \$570.3 million (reflecting \$135 million drawn under its revolving credit facility), current portion of long-term debt of \$417.2 million and stockholders' equity of \$435 million. Accounts payable were down 53.7% to \$212.1 million. The company ended the quarter with total inventory of \$654.7 million compared with \$1,149.1 million in the prior year. During the quarter, the company incurred capital expenditures of \$6.6 million. Management expects capital expenditures of roughly \$43 million during the fiscal year.

As of Jun 3, the company had reduced its outstanding borrowings under the facility to about \$100 million. In fact, by the end of second-quarter fiscal 2020 management envisions to hold nearly \$575-\$625 million as total cash and liquidity on the back of its efficient working capital management efforts.

Store Reopening On Track

With restrictions to curb the coronavirus outbreak being lifted, GameStop is reopening stores globally. In this regard, almost 85% of the company's stores located in the United States were reopened by the end of May for limited customer access or curbside delivery. Meanwhile, 90% of the company's stores were operational once again in international markets.

However, in the wake of the social unrest in the United States, the company had to close roughly 100 stores that were earlier reopened. Out of these, management expects 35 outlets to be closed for the foreseeable future due to severe damage inflicted.

Recent News

RC Ventures Acquires Stake in GameStop

As per GameStop's filing on Aug 31, RC Ventures, an investment firm managed by Ryan Cohen, acquired a 9.6% stake with about 6,215,326 shares.

Valuation

GameStop shares are up 9.9% in the year-to-date period and nearly 68.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Retail-Wholesale sector are up 4.5% and 36.3%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 35.2% and 44.5%, respectively.

The S&P 500 index is up 9% in the year-to-date period and 20.2% in the past year.

The stock is currently trading at 0.07X forward 12-month sales, which compares to 0.5X for the Zacks sub-industry, 1.32X for the Zacks sector and 3.84X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.5X and as low as 0.03X, with a 5-year median of 0.19X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$8 price target reflects 0.08X forward 12-month sales.

The table below shows summary valuation data for GME

Valuation Multiples - GME					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.07	0.5	1.32	3.84
	5-Year High	0.5	0.5	1.32	3.84
	5-Year Low	0.03	0.21	0.82	2.53
	5-Year Median	0.19	0.31	0.99	3.07
P/B TTM	Current	0.99	8.33	6.25	4.76
	5-Year High	2.55	8.69	6.26	4.76
	5-Year Low	0.3	1.66	3.7	2.83
	5-Year Median	0.83	3.19	5.04	3.76
EV/EBITDA TTM	Current	8.97	6.36	20.19	13.29
	5-Year High	8.97	6.62	20.2	13.29
	5-Year Low	0.16	2.73	11.15	8.22
	5-Year Median	3.73	4.14	12.96	10.91

As of 08/31/2020

Industry Analysis Zacks Industry Rank: Top 47% (119 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Aarons, Inc. (AAN)	Outperform	1
Best Buy Co., Inc. (BBY)	Outperform	1
Systemax Inc. (SYX)	Outperform	2
Target Corporation (TGT)	Outperform	1
Amazon.com, Inc. (AMZN)	Neutral	3
Conns, Inc. (CONN)	Neutral	4
Costco Wholesale Corporation (COST)	Neutral	3
Walmart Inc. (WMT)	Neutral	3

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

Industry Comparison Industry: Retail - Consumer Electronics				Industry Peers		
	GME	X Industry	S&P 500	AAN	BBY	CONN
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Outperform	Neutral
Zacks Rank (Short Term)	4	-	-	1	1	4
VGM Score	D	-	-	A	A	A
Market Cap	432.59 M	831.79 M	23.72 B	3.75 B	28.56 B	370.89 M
# of Analysts	5	4.5	14	6	11	4
Dividend Yield	0.00%	0.00%	1.65%	0.29%	1.98%	0.00%
Value Score	D	-	-	A	A	B
Cash/Price	1.63	0.30	0.07	0.08	0.19	0.98
EV/EBITDA	-1.22	7.67	13.28	1.70	8.33	7.41
PEG F1	NA	1.39	3.03	0.95	1.83	NA
P/B	0.99	1.43	3.17	2.47	7.56	0.75
P/CF	3.82	10.12	12.87	1.59	11.76	2.75
P/E F1	NA	15.57	21.63	14.10	15.57	NA
P/S TTM	0.07	0.78	2.53	0.92	0.66	0.25
Earnings Yield	-22.46%	-3.68%	4.39%	7.09%	6.42%	-16.67%
Debt/Equity	1.14	0.29	0.70	0.19	0.17	3.08
Cash Flow (\$/share)	1.75	1.44	6.93	35.14	9.43	4.65
Growth Score	C	-	-	A	A	B
Historical EPS Growth (3-5 Years)	-26.21%	21.25%	10.41%	16.56%	21.25%	35.73%
Projected EPS Growth (F1/F0)	-783.64%	8.94%	-4.75%	1.88%	17.34%	-211.07%
Current Cash Flow Growth	-66.61%	-20.22%	5.22%	13.84%	7.58%	8.16%
Historical Cash Flow Growth (3-5 Years)	-26.81%	10.50%	8.49%	15.48%	9.16%	9.76%
Current Ratio	0.93	1.36	1.35	3.04	1.06	6.46
Debt/Capital	53.17%	21.82%	42.92%	15.82%	14.33%	75.51%
Net Margin	-10.83%	1.35%	10.25%	-6.80%	3.75%	-1.06%
Return on Equity	-14.93%	4.18%	14.66%	16.23%	48.82%	-1.78%
Sales/Assets	2.08	1.70	0.50	1.32	2.65	0.69
Projected Sales Growth (F1/F0)	-11.04%	1.27%	-1.40%	4.43%	3.82%	-6.13%
Momentum Score	B	-	-	A	A	B
Daily Price Change	23.93%	0.00%	-0.82%	-1.81%	-0.29%	0.47%
1-Week Price Change	7.16%	-0.54%	2.59%	0.35%	-2.43%	3.08%
4-Week Price Change	60.96%	4.16%	3.55%	8.31%	9.93%	24.32%
12-Week Price Change	33.33%	13.41%	-0.44%	13.41%	32.54%	13.40%
52-Week Price Change	68.26%	-12.82%	2.80%	-12.82%	74.25%	-36.61%
20-Day Average Volume (Shares)	5,737,155	68,605	1,839,384	704,321	2,901,754	342,663
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	22.83%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	1.01%	0.20%	2.02%	27.85%	0.00%
EPS F1 Estimate 12-Week Change	-60.34%	13.92%	3.87%	50.13%	42.83%	-344.27%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	52.16%	0.00%

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	D
Growth Score	C
Momentum Score	B
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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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.