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Jan 09, 2020

Alphabet Inc. (GOOGL)

$1,405.04 (As of 01/08/20)

Price Target (6-12 Months): **$1,475.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/15/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: C | Momentum: D	

Summary

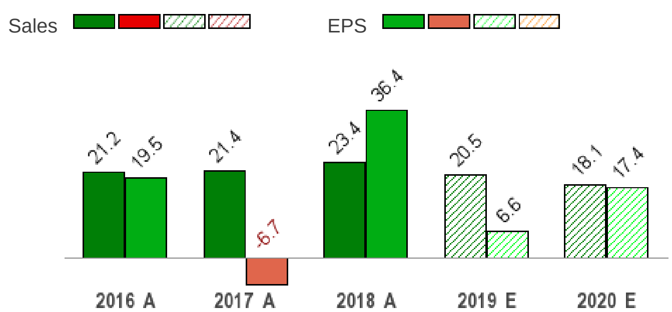
Alphabet is driven by robust search business. Its strong focus on innovation of AI techniques and the home automation space should aid business growth in the long term. Also, its strong focus on bolstering presence in the cloud market is encouraging. The company's strong initiatives toward elimination of bad ads and introducing useful major search updates are tailwinds. Notably, it has agreed to acquire Fitbit for roughly $2.1 billion. This deal will likely help the company to accelerate innovation in the wearables category. Markedly, the stock has outperformed the industry in the past year. However, the company's growing heavy investments, litigation issues and competition might hurt profitability.

Price, Consensus & Surprise

Data Overview

52 Week High-Low	**$1,411.85 - $1,027.03**
20 Day Average Volume (sh)	**1,286,507**
Market Cap	**$969.0 B**
YTD Price Change	**4.9%**
Beta	**1.01**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Internet - Services**
Zacks Industry Rank	**Bottom 32% (172 out of 254)**
Last EPS Surprise	**-19.5%**
Last Sales Surprise	**0.5%**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**02/03/2020**
Earnings ESP	**0.0%**
P/E TTM	**28.7**
P/E F1	**25.7**
PEG F1	**1.5**
P/S TTM	**6.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2020	35,223 E	37,371 E	38,896 E	45,199 E	156,730 E
2019	29,479 A	31,706 A	33,009 A	38,441 E	132,709 E
2018	24,858 A	26,237 A	27,158 A	31,840 A	110,093 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	$12.33 E	$13.42 E	$13.99 E	$14.60 E	$54.68 E
2019	$11.90 A	$14.21 A	$10.12 A	$12.77 E	$46.59 E
2018	$9.93 A	$11.75 A	$13.06 A	$12.77 A	$43.70 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 01/08/2020. The reports text is as of 01/09/2020.

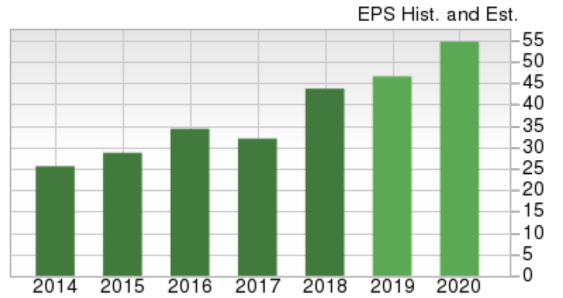
Overview

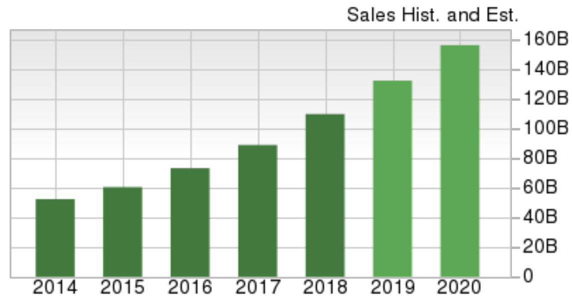
Mountain View, California-based Alphabet Inc. was founded in 1998 by Larry Page and Sergey Brin. The company is in the business of providing target-based advertisements on the web.

Products and services involve the provision of web-based information through own and hosted (network) websites. Revenues come from ads served alongside, with the company's page ranking and text-matching technology and infrastructure facilitating the process.

Alphabet generated 83% of 2018 revenue from advertising and 17% from other Alphabet revenues. The newly-formed Other Bets segment contributed 1% of revenue.

Search, including general, personalized and advanced search is the primary revenue earner. The company's AdWords program helps advertisers create ads and the AdSense program helps their distribution by Google Network websites. AdMob technology has been incorporated into AdWords, which helped the extension of ad campaigns onto AdMob's mobile network. Google mobile allows search by voice, sight, or location. Additionally, through Google Local, it delivers local information about shops, restaurants, parks and landmarks for 80 million places all over the world on its services for mobile. Google also offers display ads. The YouTube Preferred plan and TrueView ad formats are gaining importance.





Alphabet has created a number of platforms including Android; the Chrome OS and browser; Google Play; Google Drive; Google Wallet and Google TV.The Enterprise business includes apps like Gmail, Google Docs, Google Calendar, and Google Sites. Other offerings include Google Search Appliance, Google Site Search and Google Commerce Search.The company operates in more than 50 countries worldwide and supplements the sales force with online channels. The most significant competitors are FB, MSFT and YHOO.

Reasons To Buy:

Google has shown good execution to date. Its search market share is a big positive, which along with its focus on innovation, strategic acquisitions and Android OS should continue to generate strong cash flows.

- Alphabet is showing **increased appetite in the Home Assistant space**. The company made its foray into this market in 2016 with the launch of Google Home. Google Home performs an array of tasks such as playing music, reading books, managing calendars, answering queries, searching places, calling over cabs, controlling smart home devices and so on. It runs on Google's new voice assistant. As voice is being seen as the next big thing in computer interaction, these products could help Google expand its revenue going forward. As per Gartner, 3.3% of global households are expected to adopt a VPA-enabled wireless speaker by 2020. The strong growth projection for the personal assistant market is a key growth catalyst for Google. As a booming future is being predicted for the home assistant market, Google's home assistant devices could quite well add to their top and bottom-line figures going forward.

- Google has entered into a definitive agreement to acquire wearable fitness company Fitbit for roughly $2.1 billion. The move ramps up competition in the wearables space. Google has substantially invested in artificial intelligence. Fitbit, with 28 million users worldwide, is likely to be a very good fit for Google. Also, the Fitbit acquisition gives Google a bridge to the $3 trillion health care market. The buyout expands Google's presence in the lucrative health care market, as it can provide valuable insights to medical professionals about broader health trends.

- Alphabet focuses on **innovation**, launching products and services for multiple industries. The development and enhancements of its search technology over time has created win-win situations wherein buyers, sellers and the public at large were benefited. The success of this strategy led to very strong growth since inception. But Google has continued to adapt and change on the strength of its technological prowess. Not only did it take the mobile market transition in its stride, but it also started developing machine learning and artificial intelligence for a time in the future when the intricacies of human behavior would require even more accurate patterns. As a result, it was able to turn over some search functions to its AI systems. Because Alphabet generates significant cash from operations and also holds a huge cash balance, management has the flexibility to pursue growth in any area that exhibits true potential. This flexibility, along with its technological prowess allowed it to pursue opportunities in different markets until it became necessary to restructure itself into a conglomerate. Some of the innovations outside the core search business include technology for high-speed Internet (its Fiber and Balloon initiatives), healthcare (partnership with Johnson & Johnson for the development of surgical robots), genomics (studying aspects of human genes to develop cancer cures), self-driving cars (partnership with Ford), drones, glass and others. We believe that the company has the financial muscle to overcome any short-term adverse conditions to continue pursuing these initiatives.

- Google has been growing rapidly in this **fast-growing highly-competitive cloud market**. The company has signed many partnerships and has been opening data centers to extend its cloud footprint worldwide. Alphabet and Cisco announced a partnership per which the duo will deliver an open hybrid cloud solution. The solution will enable usage and management of applications and services across on-premises setups and the Google Cloud Platform. Google has also partnered with Nutanix for hybrid cloud computing. Nutanix provides an enterprise cloud platform, which converges silos of server, virtualization and storage into an integrated solution and connects to public cloud services. These partnerships will help Google to keep its position in the computing race

- The Google search engine is advanced, simple and adaptable, all at once. This is the main reason for its **leading search market share**. A Jul 2016 global desktop search market share report from netmarketshare.com says that Google had 72.5% of market share, followed by Bing's 10.4%, Yahoo's 7.8% and Baidu's 7.2%. In mobile, Google was even more dominant with a 94.9% share of the search market globally, compared to Yahoo's 3.0% and Bing's 1.1%. Although the market leader by far, Alphabet has more or less held its own despite concerted efforts to take share by competitors Microsoft and Yahoo. Google is the dominant search engine in Canada, Latin America and most Asia/Pacific countries. It is also the dominant search engine in Europe, with leading market shares in the U.K., France, Germany and Spain. Alphabet's push into wearables and Google Now are positives for search revenue growth.

- Although the desktop was the most popular computing device in the past, **mobile search** is now equally if not more popular. That is because there is a growing tendency among users to look for information at the exact time the need arises, whether it's about a cup of coffee or a new home. The plethora of mobile Internet devices that are making their way to the market is making it easier on the device front. And Alphabet is helping the process with initiatives like its Mobile Friendly algorithm change, product listings, flight search, Google Now and the Chrome browser. Alphabet's opportunity lies in consumers and enterprises choosing mobile over desktops and the billions of new users entering the market, especially in the emerging regions. While it's blocking by the Chinese government pushed search market share to local player Baidu, it's also true that the growing number of local players is resulting in stiff competition in China, eating into their individual profits.

- Alphabet has a number of **mobile initiatives**. First, it is leveraging its Android OS not just to build search market share but also to drive sales of apps and digital products through Google Play. The company continues to bring improvements with each version of the OS, at the same time spurring app development. When Alphabet's strategy took off, there were only a few Android apps, while the Apple ecosystem was enormous. And today, its Android OS is used by more than a billion Android device owners across the world (according to Alphabet) and its app support is bigger than Apple's. Google search and some other apps remain highly popular on even non-Android devices. Its app support continues to drive Chromebook sales growth from all leading device makers into enterprise, academic and other markets. Second, it is also taking steps to improve advertising tools by facilitating the linking of search results with apps as well as deep linking between apps. Alphabet's Enhanced Campaigns program that ties advertising campaigns across mobile and desktop platforms has been a positive for advertisers' ROI. Mobile app indexing (now at over 100 billion) and the Mobile Friendly algorithm change will improve user experience and thus drive the next phase of revenue growth. Third, in China, which remains a problem country for U.S. tech players, Alphabet is wooing Chinese app makers to monetize through Google Play. Fourth, Alphabet's acquisition of AdMob, which has the technology to create, serve and analyze mobile advertisement formats is contributing to the company's growth and monetization in the mobile segment. Fifth, users are increasingly viewing media on mobile devices, and Alphabet is making the most of the trend with YouTube enhancements for users and advertisers that are helping revenue growth on mobile devices. At the same time, the continued improvement in the quality of mobile displays makes ads more effective. While growing from a very small base, digital product sales on Android devices are gaining momentum.

- Online and mobile video consumption is soaring and Alphabet remains strongly positioned here with the **YouTube platform**. In its race to target TV ad dollars, Alphabet allowed third-party (Nielsen and comScore) tagging of YouTube videos to determine the effectiveness of ads on YouTube versus ads shown on TV. The **Google Preferred program** pulls out the top 5% of the most engaging content on YouTube for advertisers. Alphabet has also promised to advertise this content itself in order to boost traffic. So Google Preferred is attracting spending on the platform. Mobile revenue on YouTube continues to grow and TrueView (where advertisers pay only when consumers see the ad) also continues to do well. Content ID, which helps control copyrighted material is up to 8,000 partners (400 million videos). **TrueView** ads are directly available through the DoubleClick programmatic suite and Internet delivered TV content was also enabled with technology from M Dialogue, a recent acquisition. ComScore numbers indicate that Alphabet is also the top online video content provider and also a major video ad property on U.S. desktops. Another area the company is working on is YouTube Originals where it is funding groups like AwesomenessTV and already-popular talent to make shows for YouTube. It has also brought in Susanne Daniels from MTV to head the effort. Alphabet's paid ad-free music streaming service has also taken off and the company has rebranded it as Google Play Music Key. Recently, it also announced the YouTube Red subscription service for those interested in listening ad-free, offline, or in the background. While the music streaming business is highly competitive, Alphabet's advantage could lie in the many Android devices currently on the market, the breadth of its content and huge customer base.

Reasons To Sell:

> Alphabet's diversification strategy involves significant investment in mobile, cloud, devices and digital goods. Growing competition and legal hassles are other headwinds.

- Alphabet faces significant **litigation** all over the world as a result of its dominant position in search. Regulatory scrutiny continues to worsen with the competition commission issuing several statements of objections (which precedes judicial proceedings unless settled). Google's alleged wrong doing constitutes the leveraging of Android to unfairly promote its own search service with the compulsory pre-installation of its app bundle. They were fined last year by the EU for about $2.8 billion over the company's unfair favoring of its own services.

- Alphabet is likely to see an **escalation in costs.** The company is targeting new technologies and markets, which generally require increased spending. Google has focused on sales and marketing (S&M expenses were around 9.5% of sales in 2015, going up to around 12% in each of the next five years). This greatly increased its brand value, indicating that it has captured mind share. Whether this will convert to revenue will be seen from the growth in its new device and digital sales .R&D has also increased steadily over the same time period as Google invests in future growth. Management has said however that the Other Bets segment, particularly Alphabet'sFiber initiative would require additional capex investments this year. If fixed costs increase without a corresponding increase in revenue, margins could continue to trend down, particularly since revenue growth has moderated in the last three years.

- There are also **some other margin pressures**. The most significant at the moment is related to currency, which continued to impact Alphabet's results in the last quarter despite the fact that it has a hedging program in place. Other pressures include fast-paced international growth, a growing volume of lower-priced YouTube clicks and the strength on the mobile platform.

- The growth of mobile search, especially through cell phones has created new opportunities for Alphabet. Google recently launched **Android Pay** which is an NFC-enabled payment system much like Apple Pay to process payments at a large number of retailers, as well as to buy apps and other goods online. Competition at the moment is mainly from Apple Pay and from rival payment systems from PayPal, Amazon, Samsung, Square, etc. Alphabet pioneered NFC technology in phones, but couldn't get a head start because of resistance from retailers at the time. Now that Apple Pay has something of a head start and considering that Apple is the one with the large base of affluent users, Alphabet's payment processing business may not have things easy. Since the market is evolving, there will be many changes and Alphabet could lose out at any point. Additionally, PayPal continues to do well in this segment, rapidly signing up both online and offline users. Operating as a separate company, PayPal is now more focused and competitive, further increasing competition for Alphabet's payment technology.

- Alphabet has made numerous attempts to build a position in the **social segment**. This is because social networking through websites, such as Facebook and Twitter are places where people are sharing a lot of personal information and preferences that may be used to develop more customized results and thereby enable better targeting of advertisements. The fact that people are spending more time on social networks means that they are spending less time on the browser. This tends to reduce traffic to Alphabet search services although Alphabet is still unparalleled in search. So far, Alphabet's attempts have all been flops, so social networks, particularly Facebook has really grown. Alphabet doesn't have a good social platform to boost the amount of location-based commerce it generates through mobile devices. Its latest effort Google+ had to be taken apart. As a result, its position in the display ad market continues to be eaten away by Facebook and other social networks. Google has been indexing tweets to bring a real time look and feel to the search engine results page, but whether it will take this a step further remains to be seen. Facebook's acquisition of LiveRail (video ad property with third largest audience reach in the U.S.) and video tools for advertisers are helping it take share.

- The company is likely to see an increased amount of **competition** from Facebook for digital advertising dollars. The social network has already taken the lead in display ads and has now doubled down on video. Apart from a video feed that it is testing, earlier this year, Facebook started what it calls Facebook Live. This allows direct interaction through a video platform with the video being made available later for replay. The service is not without glitches yet but Facebook has tremendous reach, so uptake is strong. Once perfected, this service has the potential to hurt YouTube traffic. Facebook has also tied with news publishers and is also processing a few searches. Amazon is another competitor that is using an Android fork to create various mobile and IoT devices while also processing a huge number of product searches. Google's answer is to provide the same technologies to brick-and-mortar retailers or those with relatively limited digital capabilities to help them compete with Amazon. But the fact remains that this market is getting competitive. Amazon also hits Google Play with its Underground app that offers paid apps on the service to users for free. Then there is Microsoft, which is using its Windows 10 OS to gradually build search market share. As Windows 10 adoption increases this year and the next, there could be meaningful erosion in Google's market share.

Last Earnings Report

Alphabet Q3 Earnings Miss Estimates, Revenues Beat

Quarter Ending	09/2019
Report Date	Oct 28, 2019
Sales Surprise	0.52%
EPS Surprise	-19.49%
Quarterly EPS	10.12
Annual EPS (TTM)	49.00

Alphabet Inc.'s non-GAAP earnings of $10.12 per share in third-quarter 2019 missed the Zacks Consensus Estimate of $12.57. Also, earnings decreased 29% sequentially and 22.5% year over year.

The earnings decline was a result of heavy investment in the cloud-computing business, artificial intelligence and consumer hardware.

Net revenues, excluding total traffic acquisition cost or TAC (TAC is the portion of revenues shared with Google's partners, and amounts paid to distribution partners and others who direct traffic to the Google website), came in at $33.01 billion. The figure was up 4.1% sequentially and 21.5% year over year.

Net revenues surpassed the Zacks Consensus Estimate by 0.52%.

Notably, primary drivers of the Google business haven't changed. Yet, pricing remains under pressure, both on account of nagging FX concerns, and continued strength in mobile and TrueView.

Nonetheless, Google continues to enjoy strength in the mobile platform. Management is focused on driving mobile experiences and the company is well positioned to pick up strong intent-to-buy signals by studying mobile searches from the huge database. As a result, direct response marketers continue to show interest in it.

The company stated that Google Cloud is recording substantial revenue growth, and it will continue to invest in this space.

YouTube, which remains a strong contributor to the company's growth, is benefiting from improvement in online video consumption. More than a thousand creators are currently engaged in the platform, bringing in a thousand subscribers every day. However, time and again it faces continuous pressure from advertisers to tighten controls on the fast-growing YouTube video service, in a bid to avoid adult or offensive content.

Numbers in Detail

Revenues

Gross total revenues of $40.5 billion increased 4% sequentially and 20% year over year (up 22% in constant currency). The increase was primarily driven by strength in ad revenues, reflecting strong demand for the company's search, video and web display ads.

Google Segment

The segment includes search, advertising, Play, hardware, and Cloud & Apps.

Coming to the search business, revenues from Google-owned sites were up 4.8% on a sequential basis and that of partner sites increased 0.1%, resulting in a 4% increase in total advertising revenues.

Google-owned and partner sites grew 19.1% and 7.5% year over year, accounting for 70.7% and 13% of quarterly revenues, respectively. This resulted in a year-over-year increase of 17.1% in total advertising revenues.

In addition, Other revenues increased 4% sequentially and 38.5% year over year, accounting for 15.9% of third-quarter revenues.

Other Bets Segment

Other Bets revenues were $155 million, down 4.3% sequentially but up 6.2% year over year, accounting for 0.4% of total third-quarter revenues.

Total traffic acquisition cost or TAC was up 3.5% sequentially and 13.8% year over year.

TAC paid out to network partners increased 0.4% sequentially and 6% year over year. Given the fact that mobile search carries higher TAC, the increase in mobile search revenues is driving related TAC, according to management.

TAC for distribution arrangements was up 6.6% sequentially and 22.2% year over year.

Operating Results

Cost per click on Google sites was up 3% sequentially but down 2% from the year-ago quarter. Cost-per-impression on Google Network Members' properties remained flat on a sequential basis but decreased 3% year over year.

Paid clicks on Google properties were up 1% sequentially and 18% from the year-ago quarter. Impressions on Google Network Members' properties remained flat on a sequential basis but increased 12% on a year-over-year basis.

Operating expenses were $13.8 billion, up 27% from the year-ago quarter due to an increase in headcount.

Balance Sheet

At the end of the third quarter, Alphabet had a solid balance sheet, with cash & cash equivalents, and marketable securities of around $109.1 billion, down from $121.1 billion in the comparable prior-quarter period.

The company generated around $13.2 billion cash from operations in the third quarter and spent $5.3 billion on capex, netting a free cash flow of

$8.7 billion.

Recent News

On **Jan 8, 2020**, Alphabet's Google has reportedly been sued by Sonos, Inc. (SONO) for alleged patent infringement related to smart speaker technology. Reportedly, the suit has been filed both in federal Court of Los Angeles and the United States International Trade Commission.

On **Dec 13, 2019,** Alphabet's division Google introduced a software service, Transfer Service, in a bid to make data shifting to cloud easier and seamless is a testament to the same. The new service is a managed solution that aids in transfer of data from on-premise systems to the cloud without software customization or investing in an off-the-shelf solution. Notably, Transfer Service is currently in beta stage.

On **Dec 12, 2019**, Alphabet's self-driving project Waymo has acquired Latent Logic, a British AI company, in a bid to make its foray into the autonomous driving market of the U.K. and Europe. Notably, Latent Logic is a startup which spun out of Oxford University's computer science department. It specializes in a form of ML namely imitation learning that trains machines to perform actions similar to humans doing the same actions.

On **Nov 13, 2019,** Alphabet-owned Google announced that it will offer checking accounts to consumers from the next year. Under code name "Cache," the company partnered with Citigroup and Palo Alto-based Stanford Federal Credit Union to run the checking accounts. Cache will also take care of all financial and compliance activities related to the accounts.

On **Nov 1, 2019,** Google announced that it is going to acquire wearable fitness company Fitbit for roughly $2.1 billion. The move ramps up competition in the wearables space as tech giants elbow for market share.

On **Oct 16, 2019,** Alphabet's division Google unveiled innovative devices including — Pixel 4 and Pixel 4 XL smartphones, Pixelbook Go laptop, Nest Mini, Nest Wi-Fi and Pixel Buds — at the Made by Google event on Oct 15.

Valuation

Alphabet shares are up 23.2% in the six-month period and 30.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector are up 13.2% and 12.4% in the six-month period, respectively. Over the past year, the Zacks sub-industry is up 10% and the sector is up 30.3%.

The S&P 500 index is up 8.8% in the six-month period and 23.8% in the past year.

The stock is currently trading at 25.61X forward 12-month earnings, which compares to 26.6X for the Zacks sub-industry, 22.32X for the Zacks sector and 18.74X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.78X and as low as 20.09X, with a 5-year median of 25.04X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $1,475 price target reflects 26.9X forward 12-month earnings.

The table below shows summary valuation data for GOOGL

Valuation Multiples - GOOGL

		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	25.61	26.6	22.32	18.74
	5-Year High	33.78	43.77	22.32	19.34
	5-Year Low	20.09	22.46	16.86	15.17
	5-Year Median	25.04	35.64	19.24	17.44
P/S F12M	Current	6.16	5.92	3.17	3.47
	5-Year High	8.54	14.67	3.41	3.47
	5-Year Low	5.18	5.34	2.27	2.54
	5-Year Median	6.62	10.12	2.86	3
EV/EBITDA TTM	Current	18.45	18.46	11.78	11.22
	5-Year High	20.46	35.94	12.58	12.82
	5-Year Low	12.24	10	7.67	8.49
	5-Year Median	16.8	24.73	10.43	10.29

As of 01/08/2020

Industry Analysis **Zacks Industry Rank:** Bottom 32% (172 out of 254)

Top Peers

Baidu, Inc. **(BIDU)**	Outperform
Apple Inc. **(AAPL)**	Neutral
Amazon.com, Inc. **(AMZN)**	Neutral
Alibaba Group Holding Limited **(BABA)**	Neutral
Facebook, Inc. **(FB)**	Neutral
Microsoft Corporation **(MSFT)**	Neutral
Yelp Inc. **(YELP)**	Neutral
Yandex N.V. **(YNDX)**	Neutral

Industry Comparison Industry: Internet - Services

Industry Peers

	GOOGL Neutral	X Industry	S&P 500	AMZN Neutral	BIDU Outperform	YNDX Neutral
VGM Score	C	-	-	C	F	B
Market Cap	969.04 B	835.08 M	23.84 B	938.03 B	48.15 B	14.21 B
# of Analysts	13	2	13	13	3	4
Dividend Yield	0.00%	0.00%	1.79%	0.00%	0.00%	0.00%
Value Score	C	-	-	D	D	C
Cash/Price	0.13	0.16	0.04	0.05	0.41	0.10
EV/EBITDA	19.61	5.38	13.88	32.73	5.64	13.19
PEG Ratio	1.47	2.58	2.02	2.63	7.20	0.63
Price/Book (P/B)	4.98	2.73	3.33	16.60	2.04	4.24
Price/Cash Flow (P/CF)	23.02	22.51	13.76	36.57	9.44	28.21
P/E (F1)	25.70	28.21	18.76	72.13	16.32	23.47
Price/Sales (P/S)	6.25	2.69	2.63	3.53	3.14	5.71
Earnings Yield	3.89%	1.32%	5.32%	1.39%	6.13%	4.27%
Debt/Equity	0.07	0.09	0.72	0.40	0.35	0.04
Cash Flow ($/share)	61.03	0.14	6.94	51.74	14.60	1.55
Growth Score	C	-	-	A	F	A
Hist. EPS Growth (3-5 yrs)	23.64%	23.67%	10.56%	116.18%	6.67%	8.59%
Proj. EPS Growth (F1/F0)	17.38%	22.09%	7.46%	27.90%	51.29%	45.99%
Curr. Cash Flow Growth	44.22%	0.09%	14.83%	85.21%	10.46%	6.23%
Hist. Cash Flow Growth (3-5 yrs)	21.13%	16.56%	9.00%	48.43%	18.79%	-0.83%
Current Ratio	3.78	1.74	1.23	1.10	2.59	2.77
Debt/Capital	6.59%	9.97%	42.99%	28.45%	26.40%	9.16%
Net Margin	21.04%	-5.73%	11.08%	4.27%	-1.87%	10.94%
Return on Equity	18.34%	-4.29%	17.16%	22.52%	4.80%	12.22%
Sales/Assets	0.62	0.62	0.55	1.45	0.35	0.61
Proj. Sales Growth (F1/F0)	18.10%	14.73%	4.16%	18.55%	10.79%	28.93%
Momentum Score	D	-	-	F	F	B
Daily Price Chg	0.71%	0.00%	0.39%	-0.78%	0.83%	1.40%
1 Week Price Chg	0.51%	0.00%	-0.30%	0.28%	5.81%	-1.57%
4 Week Price Chg	4.52%	4.92%	2.38%	8.19%	18.44%	5.57%
12 Week Price Chg	13.04%	0.85%	6.40%	6.44%	27.29%	44.93%
52 Week Price Chg	29.90%	-15.69%	22.97%	14.01%	-17.29%	46.98%
20 Day Average Volume	1,286,507	64,893	1,610,101	3,241,139	3,335,870	1,654,061
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	-1.02%	0.00%	0.00%
(F1) EPS Est 12 week change	-2.18%	-4.76%	-0.50%	-18.91%	38.53%	-2.19%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	-2.70%	0.00%	0.00%

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 have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	C
Momentum Score	D
VGM Score	C

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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