

## Goldman Sachs (GS)

**\$204.87** (As of 08/31/20)

Price Target (6-12 Months): **\$216.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Neutral**

(Since: 05/18/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: F

### Summary

Shares of Goldman have underperformed the industry in the past three months. Yet, the company has a decent earnings surprise history, outpacing the Zacks Consensus Estimate in two of the trailing four quarters. Goldman's solid position in worldwide announced and completed M&As will keep strengthening the business. Also, business diversification and cost management are tailwinds. Moreover, with strong liquidity, the company carries a low credit risk. Further, following the 2020 stress test results, the company will maintain the dividend level. Yet, legal issues remain a headwind. In addition, high dependence on overseas revenues and volatile client-activity might impede Goldman's top-line growth. Recently, Goldman finalized a settlement worth \$3.9 billion with Malaysia resolving the multibillion dollar 1MDB scandal.

### Data Overview

|                                |                             |
|--------------------------------|-----------------------------|
| 52-Week High-Low               | \$250.46 - \$130.85         |
| 20-Day Average Volume (Shares) | 2,718,240                   |
| Market Cap                     | \$70.5 B                    |
| Year-To-Date Price Change      | -10.9%                      |
| Beta                           | 1.42                        |
| Dividend / Dividend Yield      | \$5.00 / 2.4%               |
| Industry                       | Financial - Investment Bank |
| Zacks Industry Rank            | Top 18% (44 out of 251)     |

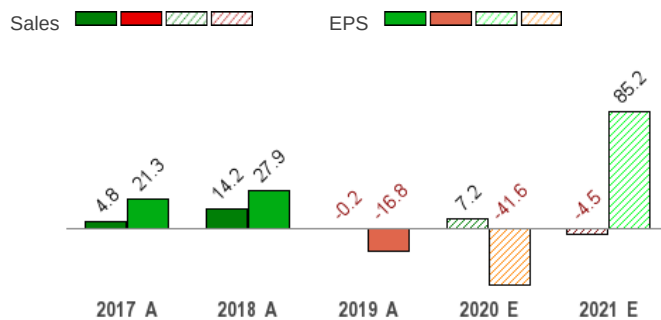
|                               |            |
|-------------------------------|------------|
| Last EPS Surprise             | 57.7%      |
| Last Sales Surprise           | 32.0%      |
| EPS F1 Estimate 4-Week Change | -32.2%     |
| Expected Report Date          | 10/20/2020 |
| Earnings ESP                  | -0.3%      |

|         |      |
|---------|------|
| P/E TTM | 10.9 |
| P/E F1  | 16.7 |
| PEG F1  | 0.9  |
| P/S TTM | 1.3  |

### Price, Consensus & Surprise



### Sales and EPS Growth Rates (Y/Y %)



### Sales Estimates (millions of \$)

|      | Q1      | Q2       | Q3      | Q4      | Annual*  |
|------|---------|----------|---------|---------|----------|
| 2021 | 9,719 E | 9,492 E  | 9,209 E | 9,386 E | 37,428 E |
| 2020 | 8,743 A | 13,295 A | 8,531 E | 8,713 E | 39,187 E |
| 2019 | 8,807 A | 9,461 A  | 8,323 A | 9,955 A | 36,546 A |

### EPS Estimates

|      | Q1       | Q2       | Q3       | Q4       | Annual*   |
|------|----------|----------|----------|----------|-----------|
| 2021 | \$5.65 E | \$5.56 E | \$5.68 E | \$6.02 E | \$22.74 E |
| 2020 | \$3.11 A | \$6.26 A | \$4.46 E | \$4.64 E | \$12.28 E |
| 2019 | \$5.71 A | \$5.81 A | \$4.79 A | \$4.69 A | \$21.03 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 08/31/2020. The reports text is as of 09/01/2020.

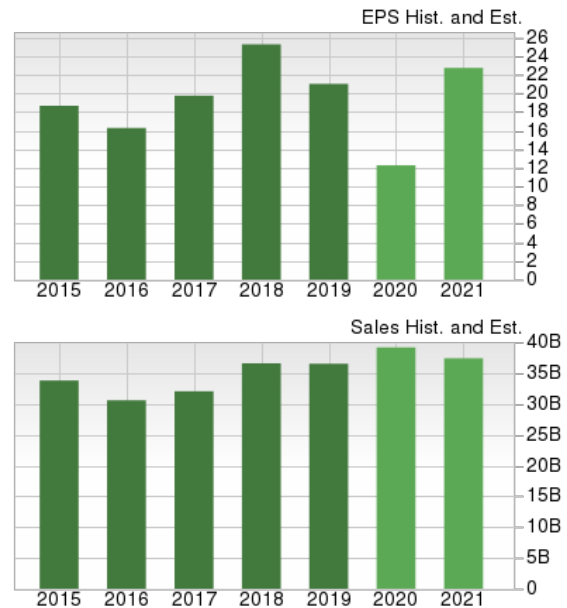
## Overview

Founded in 1869, The Goldman Sachs Group, Inc. is a leading global financial holding company providing investment banking, securities and investment management services to a diversified client base. The company is headquartered in New York, with offices in London, Frankfurt, Tokyo, Hong Kong and other major financial centers globally. As of Jun 30, 2020, the company had a total of 39,100 employees.

Beginning with 2019 fourth quarter results, Goldman announced new business segments. The company's new 4 reporting segments are as follows:

- The Investment Banking segment (contributed 21% of the 2019 revenues) comprises the Financial Advisory and Underwriting. Further, results from lending to corporate clients are included.
- The Global Markets segment (40%) consists of Fixed Income, Currency and Commodities, which include client-execution activities related to making markets in credit products, interest rate products, mortgages, currencies and commodities. Equities include client execution activities related to making markets in equities, commissions and fees, and the company's securities services business. Also, it includes results from providing warehouse lending and structured financing to institutional clients and results from transactions in derivatives associated with client advisory and underwriting assignments.
- The Consumer & Wealth Management segment (14%) includes management and other fees, incentive fees and results from deposit-taking activities related to wealth management business. Further, results from providing loans through the company's private bank, providing unsecured loans and accepting deposits through the bank's digital platform, Marcus by Goldman Sachs, and serving credit cards are included.
- The Asset Management division (25%) comprises management and other fees. Further, this division includes incentive fees related to asset management and merchant banking funds, as well as transaction revenues. Further, results from investments in equity securities and lending activities, including investments in debt securities and loans backed by real estate are included.

In 2019, Goldman completed the acquisition of United Capital Financial Partners.



Source: Zacks Investment Research

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## Reasons To Buy:

- ▲ The key source of Goldman's earnings stability is its business diversification. Within traditional banking, a diversified product portfolio has better chances of sustaining growth than many other banks, which have exited some of these areas. Notably, Goldman has been undertaking initiatives to boost the GS Bank's business with its acquisition of the online deposit platform of GE Capital Bank in April 2016. It also launched a digital consumer lending platform — *Marcus by Goldman Sachs*. Additionally, the company is likely to benefit from its exposure to the fast growing exchange-traded funds (ETF) market.
- ▲ Investment banking revenues witnessed a three-year (2017-2019) CAGR of 1%, with some annual volatility providing decent support to Goldman's top-line growth. The uptrend continued in the first six months of 2020 as well on strong underwriting business. Though industry-wide completed mergers and acquisitions transactions decreased in 2020 till date due to the pandemic, M&A activities were strong in 2018 and 2019, with the execution of many large transactions. Therefore, Goldman's solid position in worldwide announced and completed M&As will likely give it further edge over its peers.
- ▲ Goldman has benefited over the past few years from its successful expense-reduction initiatives. Though expenses have been volatile for the past few years, the figure declined significantly in 2016, but recorded three-year CAGR of 9% in 2019, due to higher compensation and litigation expenses. The uptrend continued in the first six months of 2020 as well. Nevertheless, the company completed an expense initiative and generated nearly \$900 million of run-rate savings. The company is focused on improving efficiency, while maintaining strong franchise and investing in new opportunities. Therefore, continuation of expense management will aid bottom-line expansion in the coming years.
- ▲ Amid the coronavirus crisis and its continued impact on economy, the company holds a total debt level of \$560 billion and debt-capital ratio of 0.71X (compared with the industry average of 0.75X) as of Jun 30, 2020, which has remained volatile over the past few quarters. Therefore, the company's earnings stability and strong cash position of \$406 billion as of Jun 30, 2020, indicate lower credit risk, and a lesser likelihood of default of interest and debt repayments if the economic situation worsens.
- ▲ Backed by a solid capital position, Goldman has consistently enhanced shareholders' value with steady capital-deployment activities. The company increased its quarterly dividend to \$1.25 in July 2019. Also, it had a share repurchase program in place, that was suspended mid-March following the coronavirus crisis. Notably, following the announcement of 2020 stress test results, the company will be maintaining the dividend level as before and keep share repurchases suspended in the third quarter of 2020 as well. This not only reflects the company's commitment to return value to the shareholders but also its strong position to endure severe economic downturns. Also, the company's payout ratio compares favorably with the broader industry reflecting such dividend hikes sustainable in the future.
- ▲ The stock seems undervalued when compared with the broader industry. Its price-to-cash flow and price-to-book value ratios are below the respective industry averages.

Organic growth, cost management, solid capital position and steady capital deployment activities continue to aid Goldman's growth prospects. Also, business diversification remains a key strength.

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## Reasons To Sell:

- ▼ Global Markets division of Goldman mainly constitutes of Fixed Income, Currency and Commodities Client Execution (FICC) and Equities revenues and recorded a three-year CAGR of 9.6% in 2019, with the trend continuing in the first six months of 2020. Though the division recorded growth, a challenging environment depicting volatile client-activity levels, along with coronavirus concerns affected the performance of this division to some extent. Therefore, the future performance of this volatility-driven division depends on market developments and client volumes.
- ▼ Goldman is a geographically diversified company with presence in almost all the major markets in the world. The company has high dependence on overseas revenues as reflected in the last few years. A number of risks stemming from the regulatory and political environment, foreign exchange fluctuations and performance of regional economy may hurt its top line.
- ▼ Goldman continues to face many investigations and lawsuits from investors and regulators. Though the company resolved certain litigations related to the sale of risky mortgage-backed securities, many of the cases are yet to be resolved. All these are expected to lead to increased expenses and litigation provisions in the near term. Recently, Goldman resolved the multibillion-dollar 1Malaysia Development Berhad (1MDB) scandal by reaching an agreement in principle with the Government of Malaysia, resolving all the criminal and regulatory proceedings in Malaysia. The settlement also resolved pending criminal proceedings against Goldman's subsidiaries, and certain of their current and former directors.
- ▼ Goldman's trailing 12-month return on equity (ROE) undercuts its growth potential. Though the company's ROE of 9.07% has gradually improved over the years, it compares unfavorably with the 12.32% industry average, highlighting that it is less efficient in using shareholders' funds.
- ▼ Shares of Goldman have underperformed the industry in the past three months. With this unfavorable trend, the company's current-year earnings estimate has been revised 31.6% downward over the last 30 days. Therefore, given the above concerns and lack of positive estimate revisions, the stock has limited upside potential.

Geopolitical concerns and volatile client-activity levels may hinder top-line growth of Goldman. Further, legal hassles and higher dependence on overseas revenues remain other headwinds.

## Last Earnings Report

### Goldman Q2 Earnings Beat, Provisions Up on Coronavirus Scare

Goldman reported second-quarter 2020 earnings per share of \$6.26, significantly surpassing the Zacks Consensus Estimate of \$3.97. Also, the bottom-line figure compares favorably with the earnings of \$5.81 per share recorded in the year-earlier quarter.

With the market volatility flaring up on the rising coronavirus concerns, the bank's results were aided by higher Fixed Income, Currency and Commodities Client Execution (FICC) revenues during the reported quarter. Also, underwriting business displayed strength. In addition, wealth management and consumer banking business reported an upswing, reflecting rise in deposit balances and credit card loans.

The investment bank, nevertheless, disappointed with the rise in operating expenses and provisions. Additionally, lower financial advisory revenues, due to the decline in industry-wide completed mergers and acquisitions transactions, played spoilsport. Moreover, corporate lending revenues disappointed.

### Revenues Climb, Expenses Up

Goldman's net revenues were up 41% year over year to \$13.3 billion in the reported quarter. The revenue figure also beat the Zacks Consensus Estimate of \$10.1 billion.

Quarterly revenues, as per business segments, are as follows:

The **Investment Banking** division generated revenues of \$2.7 billion, up 36% year over year. Results suggest higher underwriting revenues (more than doubled year over year), supported by elevated equity and debt underwriting revenues on elevated volumes. Yet, corporate lending reported negative revenues. Further, decreased financial advisory revenues (down 11%) were on the downside due to fall in industry-wide completed mergers and acquisitions transactions.

The **Global Markets** division recorded revenues of \$7.2 billion, up 93% year over year. This upside indicates record net revenues in Fixed Income, Currency and Commodities Client Execution (more than doubled year over year), driven by solid revenues from currencies, credit products, interest rate products and commodities. Also, FICC financing was on the upside.

Furthermore, higher equities revenues (up 46%) were recorded, aided by elevated equities intermediation.

The **Consumer and Wealth Management** division's revenues of \$1.4 billion came in 9% higher year over year during the June-end quarter. Increased revenues from wealth management (up 7%) and consumer banking (up 19%) resulted in this upsurge.

The **Asset Management** division recorded revenues of \$2.1 billion, down 18% year over year. This decline mainly resulted from lower net revenues in equity investments, partly negated by elevated revenues in lending and debt investments, along with higher incentive and management and other fees.

Asset under supervision were \$2.1 billion, up 23.5% year over year.

Total operating expenses flared up 37% year over year to \$8.4 billion. Rise in almost all components of expenses resulted in this upside.

Notably, net provisions for litigation and regulatory proceedings of \$945 million were recorded as compared with the prior-year quarter's \$66 million.

Provision for credit losses was \$1.59 billion in the second quarter, significantly up from the prior-year quarter figure of \$214 million due to elevated provisions in wholesale loans as well as consumer loans on more-than-expected deterioration in the economic environment.

### Strong Capital Position

Goldman displayed a robust capital position in the reported quarter. As of Jun 30, 2020, the company's Common Equity Tier 1 ratio was 12.4% under the Basel III Advanced Approach, highlighting valid transitional provisions. The figure was up from the prior quarter's 12.3%.

The company's supplementary leverage ratio, on a fully phased-in basis, was 6.7% at the end of the April-June quarter, up from the prior-quarter figure of 5.9%.

Return on average common shareholders' equity, on an annualized basis, was 11.1% in the quarter.

Goldman continued to optimize the digital consumer deposit platforms. Notably, consumer deposits escalated a record \$20 billion in the reported quarter to \$92 billion.

Goldman initiated its transaction banking business in the U.S. providing deposit-taking, payments, liquidity management, and escrow services. During the quarter, deposits on the platform surged \$16 billion to \$25 billion.

### Outlook

In the second half of 2020, Goldman expects a potential pickup in M&A activity, both from companies coming from a position of strength, as well

| Quarter Ending   | 06/2020      |
|------------------|--------------|
| Report Date      | Jul 15, 2020 |
| Sales Surprise   | 31.97%       |
| EPS Surprise     | 57.68%       |
| Quarterly EPS    | 6.26         |
| Annual EPS (TTM) | 18.85        |

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as those challenged by the environment. Dislocated asset prices are likely to drive those opportunities, as significant amount of private capital will be available for deployment amid macro and political uncertainties.

While the company's balance sheet is modestly asset sensitive, given the mix of high turnover or floating rate assets, and hedge floating rate liabilities, if interest rates remain stable, management expects NII to gradually expand over time on consumer deposits repricing.

Given the challenging operating environment, management is re-examining all its forward spending and investment plans to ensure the best use of resources. Consistent with the historical focus on expense discipline and the emphasis on cost control at Investor Day, management will assess the timing, magnitude and pace of certain expenses and investments. Importantly, it continues to pursue medium-term efficiency target. To that end, management expects to realize the effect of planned reductions in non-compensation expenses more significantly through the second half of this year.

For the next few years, Goldman expects tax rate to be 21%.

#### **Medium-Term Financial Targets**

Return on Equity is expected to be greater than 13%, while return on tangible equity to be more than 14%. Efficiency ratio is expected to be around 60%. CET1 ratio is expected in the range of 13-13.5%.

Growing and spending business growth worth \$2-\$3 billion. New initiatives spend worth \$1-2 billion. Funding optimization is expected to be \$1 billion. Expense efficiency savings expected to be \$1.3 billion.

Management expects transaction banking revenues worth \$1 billion and deposits worth \$50 billion in more than five years horizon.

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## Recent News

### Goldman Sachs Concludes 1MDB Legal Case With Malaysia - Aug 18, 2020

Goldman finalized a settlement worth \$3.9 billion by signing an agreement with Malaysia resolving the multibillion-dollar 1Malaysia Development Berhad (1MDB) scandal. The agreement, in principle, announced last month was confirmed in a regulatory filing in New York.

The settlement agreement includes a payment of \$2.5 billion as penalties to the Government of Malaysia within 10 days. Notably, this July, Goldman guaranteed the Malaysian government to receive \$1.4 billion from the proceeds of assets, which have been seized globally as those were related to the 1MDB scandal. Markedly, the guarantee on these assets does not expose Goldman to any significant risks.

Nevertheless, other pending governmental and regulatory investigations, including the U.S. government, continued on Goldman related to the 1MDB scandal.

#### Background

Goldman has been scrutinized for playing a role in raising funds through bond offerings for 1MDB, the fund entangled in corruption and money-laundering probes in roughly six countries. Per the DoJ, misappropriation of funds, worth \$4.5 billion, from 1MDB by the top officials of the fund and their colleagues from 2009 through 2014, included funds raised through Goldman as well.

Therefore, regulators of around 14 countries, including the United States, Malaysia, Singapore and others, have probed Goldman for its role as an underwriter and its doings during the transactions.

Further, in November 2018, criminal charges were levied against two former bankers — Tim Leissner and Roger Ng of Goldman by U.S. prosecutors, as well as on Low — a Malaysian financier, who effectively had the control of the state-owned investment 1MDB. Low has been accused for routing the money out of 1MDB, and paying bribes and purchasing real estate, art, and jewelry. Nevertheless, the bond proceeds were meant for the state's strategic investments.

Per DoJ, roughly \$600 million was earned by the bank, including three bond offerings in 2012 and 2013, which raised \$6.5 billion. In addition, huge bonuses were earned by Leissner, Ng and others. Nevertheless, Goldman claimed Leissner and Ng were working to hide criminal activities from management.

In 2018, Leissner accepted the act of conspiracy for laundering money and plotting the violation of the Foreign Corrupt Practices Act. He made profits from the scheme and had contracted to pay up to \$43.7 million. Nonetheless, the other employee has not come up with a plea yet and is facing a case in Brooklyn's federal court.

Remarkably, criminal charges against Goldman and 17 executives had been filed by prosecutors in Malaysia, who were demanding a multibillion-dollar penalty seeking fines of more than \$2.7 billion. This was believed to be allegedly misappropriated from the proceeds, and the return of \$600 million of fees taken by Goldman.

Malaysian politics was adversely impacted by the scandal, and lifetime bans were imposed on Goldman bankers, including Andrea Vella and Tim Leissner, by the financial industry.

Notably, the case, which involved the bank's three units, had been on hold due to restrictions imposed by Malaysia since March to contain the coronavirus pandemic. This February, the case got transferred to the High Court, and advanced with the proceedings of the criminal charges first announced in December 2018.

### Goldman Analyze Global Economic Situation Ahead - May 27, 2020

Top executive from Goldman presented the views on economic recovery and its impact on the business, at the 2020 virtual conference hosted by AllianceBernstein Holding LP.

Per Goldman president, John Waldron, on easing of lockdowns related to the coronavirus pandemic and above that the pulling back of stimulus programs by the Government, the global economy could turn out to be in a rough phase.

"The biggest risk we all face is the economic trajectory," Waldron said. "The risks ahead are that it doesn't go quite that smoothly, and you have re-emergence of the virus maybe in pockets, you have uneven start-and-stop kind of feeling around the world", he added.

Notably, Waldron is concerned about the credit risk for corporations and consumers. Also, middle-market lending, which has expanded majorly in recent years through both banks and non-bank lenders are at risk of getting advantage from capital markets or government support. "We are playing close attention to that," he said.

Per Waldron, consumers would be facing challenges on the W-shaped recovery, particularly on the waning government support, leading to "a lot more destruction" in consumer credit. Remarkably, Goldman holds a small share in lending credit to individuals, with outstanding loan balances of around \$7 billion.

Among other measures, Goldman will be operating from offices in the United States and London over the next several weeks. Also, the bank is exploring acquisition opportunities though avoiding large-scale mergers, according to Waldron. Further, Waldron confirmed that the bank would pay 10-35 basis points for physical deposits for its transaction-banking product, citing gains from its new cash-management platform. Last but not the least, Goldman reiterates the medium- and long-term financial targets announced at investor day in January, despite the economic slowdown on the coronavirus-related mayhem.

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## Dividend Update

On Jul 14, Goldman's board of directors announced a quarterly dividend of \$1.25 per share. The dividend will be paid on Sep 29, to shareholders of record as of Sep 1, 2020.

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## Valuation

Goldman's shares are down 10.9% in the year-to-date period but up 0.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 7% and 14.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up 9.6%, but down 5.1%.

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 10.63X forward 12 months earnings, which compares to 12.5X for the Zacks sub-industry, 14.26X for the Zacks sector and 17.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 15.48X and as low as 5.49X, with a 5-year median of 9.78X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$216 price target reflects 11.21X forward earnings.

The table below shows summary valuation data for GS

| Valuation Multiples - GS |               |       |              |        |         |
|--------------------------|---------------|-------|--------------|--------|---------|
|                          |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/E F12M                 | Current       | 10.63 | 12.5         | 14.26  | 17.6    |
|                          | 5-Year High   | 15.48 | 15.31        | 16.91  | 23.47   |
|                          | 5-Year Low    | 5.49  | 6.02         | 11.6   | 15.25   |
|                          | 5-Year Median | 9.78  | 11.43        | 14.26  | 17.6    |
| P/TB TTM                 | Current       | 0.93  | 2.03         | 3.42   | 13.83   |
|                          | 5-Year High   | 1.51  | 3.35         | 4      | 13.83   |
|                          | 5-Year Low    | 0.63  | 1.4          | 2.01   | 6.03    |
|                          | 5-Year Median | 1.06  | 2.37         | 3.48   | 9.52    |
| P/S F12M                 | Current       | 1.85  | 3.65         | 6.23   | 3.84    |
|                          | 5-Year High   | 3.24  | 4.54         | 6.67   | 3.84    |
|                          | 5-Year Low    | 1.24  | 2.76         | 4.97   | 2.53    |
|                          | 5-Year Median | 2.24  | 3.56         | 6.07   | 3.07    |

As of 08/31/2020

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## Industry Analysis Zacks Industry Rank: Top 18% (44 out of 251)



## Top Peers

| Company (Ticker)                     | Rec          | Rank |
|--------------------------------------|--------------|------|
| Morgan Stanley (MS)                  | Outperform   | 1    |
| Bank of America Corporation (BAC)    | Neutral      | 3    |
| Citigroup Inc. (C)                   | Neutral      | 4    |
| Evercore Inc (EVR)                   | Neutral      | 3    |
| Jefferies Financial Group Inc. (JEF) | Neutral      | 3    |
| JPMorgan ChaseCo. (JPM)              | Neutral      | 3    |
| KeyCorp (KEY)                        | Neutral      | 3    |
| MoelisCompany (MC)                   | Underperform | 4    |

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

| Industry Comparison Industry: Financial - Investment Bank |           |            |           | Industry Peers |            |            |
|-----------------------------------------------------------|-----------|------------|-----------|----------------|------------|------------|
|                                                           | GS        | X Industry | S&P 500   | EVR            | JPM        | MS         |
| Zacks Recommendation (Long Term)                          | Neutral   | -          | -         | Neutral        | Neutral    | Outperform |
| Zacks Rank (Short Term)                                   | 3         | -          | -         | 3              | 3          | 1          |
| VGM Score                                                 | D         | -          | -         | A              | D          | F          |
| Market Cap                                                | 70.49 B   | 809.67 M   | 23.72 B   | 2.51 B         | 305.34 B   | 82.40 B    |
| # of Analysts                                             | 3         | 2          | 14        | 2              | 10         | 7          |
| Dividend Yield                                            | 2.44%     | 0.00%      | 1.65%     | 3.75%          | 3.59%      | 2.68%      |
| Value Score                                               | C         | -          | -         | A              | C          | C          |
| Cash/Price                                                | 5.68      | 0.76       | 0.07      | 0.41           | 4.08       | 3.71       |
| EV/EBITDA                                                 | -8.29     | 2.49       | 13.28     | 3.59           | -8.82      | -0.96      |
| PEG F1                                                    | 0.90      | 1.08       | 3.03      | NA             | 3.36       | 1.08       |
| P/B                                                       | 0.89      | 1.79       | 3.17      | 2.22           | 1.30       | 1.04       |
| P/CF                                                      | 7.13      | 8.93       | 12.87     | 5.93           | 7.14       | 7.46       |
| P/E F1                                                    | 16.68     | 14.50      | 21.63     | 19.34          | 16.81      | 10.35      |
| P/S TTM                                                   | 1.30      | 1.51       | 2.53      | 1.26           | 2.20       | 1.57       |
| Earnings Yield                                            | 5.99%     | 6.60%      | 4.39%     | 5.17%          | 5.95%      | 9.66%      |
| Debt/Equity                                               | 2.82      | 0.36       | 0.70      | 0.30           | 1.35       | 2.58       |
| Cash Flow (\$/share)                                      | 28.72     | 2.30       | 6.93      | 10.44          | 14.04      | 7.01       |
| Growth Score                                              | D         | -          | -         | A              | D          | F          |
| Historical EPS Growth (3-5 Years)                         | 7.53%     | 20.42%     | 10.41%    | 25.45%         | 13.82%     | 21.48%     |
| Projected EPS Growth (F1/F0)                              | -41.59%   | -13.36%    | -4.75%    | -58.44%        | -44.38%    | 1.38%      |
| Current Cash Flow Growth                                  | -13.72%   | -0.49%     | 5.22%     | -15.37%        | 9.35%      | 9.18%      |
| Historical Cash Flow Growth (3-5 Years)                   | 0.72%     | 12.22%     | 8.49%     | 23.38%         | 10.67%     | 13.46%     |
| Current Ratio                                             | 0.76      | 1.21       | 1.35      | 2.68           | 0.88       | 0.75       |
| Debt/Capital                                              | 71.21%    | 25.20%     | 42.92%    | 22.84%         | 56.09%     | 70.01%     |
| Net Margin                                                | 13.40%    | 9.74%      | 10.25%    | 11.84%         | 18.16%     | 17.78%     |
| Return on Equity                                          | 9.07%     | 12.32%     | 14.66%    | 29.12%         | 10.75%     | 11.90%     |
| Sales/Assets                                              | 0.05      | 0.19       | 0.50      | 0.84           | 0.05       | 0.06       |
| Projected Sales Growth (F1/F0)                            | 7.23%     | 0.00%      | -1.40%    | -24.11%        | 0.15%      | 2.31%      |
| Momentum Score                                            | F         | -          | -         | A              | D          | F          |
| Daily Price Change                                        | -1.37%    | -0.31%     | -0.82%    | -1.32%         | -2.51%     | -1.19%     |
| 1-Week Price Change                                       | 2.61%     | 0.11%      | 2.59%     | 1.42%          | 5.60%      | 3.50%      |
| 4-Week Price Change                                       | 2.75%     | 2.52%      | 3.55%     | 7.79%          | 4.26%      | 5.66%      |
| 12-Week Price Change                                      | -7.22%    | -0.40%     | -0.44%    | -8.14%         | -11.69%    | 4.21%      |
| 52-Week Price Change                                      | 0.47%     | -4.69%     | 2.80%     | -22.42%        | -8.80%     | 25.96%     |
| 20-Day Average Volume (Shares)                            | 2,718,240 | 61,677     | 1,839,384 | 400,552        | 15,340,878 | 7,141,839  |
| EPS F1 Estimate 1-Week Change                             | 0.00%     | 0.00%      | 0.00%     | 0.00%          | 0.00%      | 0.00%      |
| EPS F1 Estimate 4-Week Change                             | -32.17%   | 0.00%      | 0.20%     | 0.00%          | 0.00%      | 0.00%      |
| EPS F1 Estimate 12-Week Change                            | -11.03%   | 20.22%     | 3.87%     | 43.82%         | 16.22%     | 37.96%     |
| EPS Q1 Estimate Monthly Change                            | 0.13%     | 0.00%      | 0.00%     | 0.00%          | 0.00%      | 0.00%      |

Source: Zacks Investment Research

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## 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   | D |
| Momentum Score | F |
| 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.

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## 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.

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**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.

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**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.

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**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.