

Goldman Sachs (GS)

\$343.09 (As of 04/19/21)

Price Target (6-12 Months): **\$395.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 11/30/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:A

Value: C

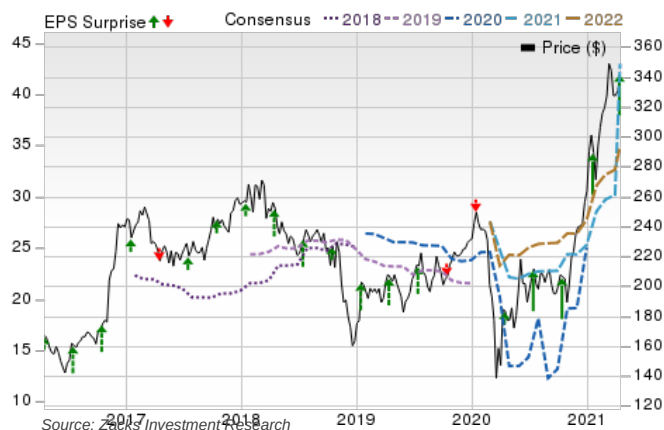
Growth: B

Momentum: A

Summary

Shares of Goldman have outperformed the industry in the past six months. The company has an impressive earnings surprise history, having outpaced the Zacks Consensus Estimate in each the trailing four quarters. Its first-quarter 2021 results benefited from robust capital markets performance and reserve release. Goldman's solid position in announced and completed M&As across the world will keep strengthening the business. Also, business diversification, including digital platforms, helps sustain growth. Efforts to expand consumer lending business are encouraging. With a strong liquidity position, it remains less exposed to credit risk in case of any economic downturn. Though legal issues, high dependence on overseas revenues and volatile client-activity might impede top-line growth, steady capital deployment activities remain a tailwind.

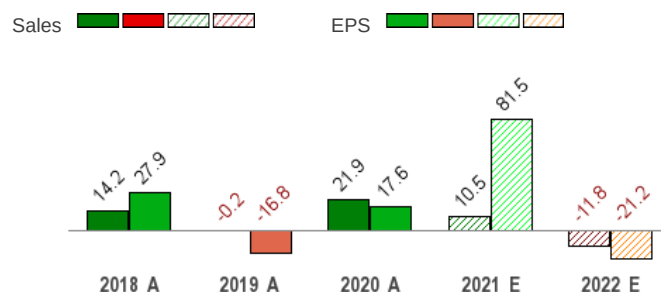
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$356.85 - \$165.36
20-Day Average Volume (Shares)	3,130,392
Market Cap	\$118.4 B
Year-To-Date Price Change	29.8%
Beta	1.50
Dividend / Dividend Yield	\$5.00 / 1.5%
Industry	Financial - Investment Bank
Zacks Industry Rank	Top 1% (3 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	90.0%
Last Sales Surprise	47.9%
EPS F1 Estimate 4-Week Change	48.8%
Expected Report Date	07/21/2021
Earnings ESP	0.0%
P/E TTM	7.3
P/E F1	8.0
PEG F1	0.4
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	11,535 E	10,785 E	10,310 E	10,506 E	43,394 E
2021	17,704 A	11,008 E	9,705 E	9,957 E	49,218 E
2020	8,743 A	13,295 A	10,781 A	11,741 A	44,560 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$9.26 E	\$8.67 E	\$8.13 E	\$9.34 E	\$35.39 E
2021	\$18.60 A	\$9.64 E	\$7.60 E	\$8.58 E	\$44.91 E
2020	\$3.11 A	\$6.26 A	\$9.68 A	\$12.08 A	\$24.74 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 04/19/2021. The report's text and the analyst-provided price target are as of 04/20/2021.

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 Mar 31, 2021, the company had a total of 40,300 employees.

Beginning with fourth-quarter 2019 results, Goldman provides its services through four broad segments.

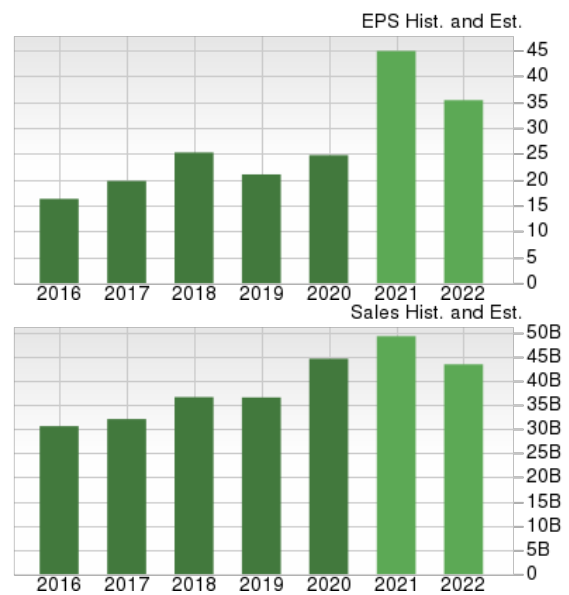
The Investment Banking segment (contributed 21% of the 2020 revenues) comprises the Financial Advisory and Underwriting. Further, results from lending to corporate clients are included.

The Global Markets segment (47%) 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 (18%) 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 August 2020 and 2019, Goldman completed its purchase of Folo Financial and United Capital.



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* — which the company has been bolstering by rolling out its services in different regions. Notably, in February 2021, Goldman launched an automated wealth-management platform called Marcus Invest as part of a move to expand its suite of consumer financial offerings within its digital consumer lending unit. Additionally, the company is likely to benefit from its exposure to the fast growing exchange-traded funds (ETF) market.
- ▲ Investment banking (IB) revenues witnessed a four-year (2017-2020) CAGR of 8.1%, with some annual volatility of underwriting and advisory business. Though industry-wide completed mergers and acquisitions transactions decreased in 2020 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. Notably, IB revenues in the first three months of 2021 witnessed a significant jump on the back of stellar deal making activities and strong equity markets.
- ▲ Goldman held total borrowings of \$277 billion as of Mar 31, 2021. With cash and equivalents of \$191 billion as of the same date and the company's earnings stability indicates 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. Following the announcement of the second round of 2020 stress test results, the company resumed share repurchases in first-quarter 2021, which was suspended following the coronavirus crisis. This not only reflects the company's commitment to return value to the shareholders but also its healthy position to endure severe economic downturns. Thus, given a solid liquidity position and earnings strength, Goldman is expected to continue enhancing shareholder value through efficient capital deployment activities.
- ▲ Goldman's trailing 12-month return on equity (ROE) supports its growth potential. The company's ROE of 20.07% has gradually improved over the years. Also, it compares favorably with the 16.94% industry average, highlighting that it is efficient in using shareholders' funds.
- ▲ Shares of Goldman have outperformed the industry in the past three months. With this favorable trend, the company's current-year earnings estimates have been revised 42.5% upward over the past 30 days. Also, the stock seems undervalued when compared with the broader industry. Its price-to-book and price-to-earnings ratios are below the respective industry's averages. Therefore, given the robust fundamentals and positive estimate revisions, the stock has decent upside potential.

Organic growth, solid capital position and steady capital deployment activities continue to support Goldman's growth prospects. Furthermore, business diversification remains a key strength.

Risks

- Global Markets division of Goldman mainly constitutes of Fixed Income, Currency and Commodities Client Execution (FICC) and Equities revenues and witnessed a four-year CAGR of 23% in 2020, with the increasing trend continuing in the first three months of 2021. Though the division recorded growth on high market volatility due to the pandemic and other macro-economic conditions, the future performance of this volatility-driven division depends on market developments and client volumes which remain uncertain.
 - Goldman's bottom-line has been affected in the past few years by its rising costs base. Though expenses have been volatile for the past few years and declined significantly in 2016, the same recorded a four-year CAGR of 11.4% in 2020, due to higher compensation and litigation expenses. Also, the uptrend continued in first-quarter 2021. Notably, in January 2020, the company announced plans to reduce costs by \$1.3 billion over a period of three years. Nevertheless, investments in technology and rise in transaction-based expenses during periods of higher client activity will keep the expense trend volatile.
 - 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. Notably, Goldman also 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.
 - Goldman's trailing 12-month return on equity (ROE) undercuts its growth potential. Though the company's ROE of 14.2% has gradually improved over the years, it compares unfavorably with the 15.06% industry average, highlighting that it is less efficient in using shareholders' funds.
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Last Earnings Report

Goldman Q1 Earnings Outshine Estimates, Revenues Jump

Given the strong capital markets performance, Goldman's first-quarter 2021 earnings per share of \$18.60 significantly surpassed the Zacks Consensus Estimate of \$9.79. Also, the bottom line compares favorably with \$3.11 per share earned in the year-earlier quarter.

The bank's results were aided by higher FICC revenues. Also, the underwriting business displayed solid strength. In addition, wealth management and consumer banking business witnessed an upswing, reflecting rise in credit card loans.

Additionally, impressive financial advisory revenues, owing to the rise in industry-wide completed mergers and acquisitions transactions, acted as a tailwind. Moreover, provision benefit supported the results.

However, disappointing corporate lending revenues posed a headwind. Further, operating expenses increased during the quarter.

Net earnings of \$6.84 billion increased substantially from \$1.21 billion in the prior-year quarter.

Revenues Jump, Expenses Rise

Net revenues of \$17.7 billion surged significantly from \$8.74 billion in the year-ago quarter. The top line also beat the Zacks Consensus Estimate of \$11.5 billion.

Total operating expenses increased 46% to \$9.43 billion. Higher compensation and benefits, and transaction-based and technology expenses chiefly resulted in this rise.

Notably, net provisions for litigation and regulatory proceedings of \$74 million were recorded compared with the prior-year quarter's \$184 million.

Provision for credit losses was a benefit of \$70 million against provisions of \$937 million in the prior-year quarter. Reserve reductions on wholesale and consumer loans were partially offset by portfolio growth, including provisions related to the proposed buyout of the General Motors co-branded credit card portfolio.

Solid Segment Performance

The Investment Banking division generated revenues of \$3.77 billion, up 73% year over year. Results reflect higher underwriting revenues (up 155%), supported by robust equity and debt underwriting performance.

However, corporate lending declined 54%. Further, increased financial advisory revenues (up 43%) were on the upside owing to rise in industry-wide completed merger and acquisition transactions.

The Global Markets division recorded revenues of \$7.58 billion, up 47%. This uptick indicated impressive net revenues in FICC (up 31%), fueled by solid revenues from FICC intermediation, credit products and commodities, partly offset by lower revenues in currencies. Further, FICC financing revenues grew marginally. Also, higher equities revenues (up 68%) were recorded, aided by elevated equities intermediation and financing.

The Consumer and Wealth Management division's revenues of \$1.73 billion came in 16% higher. Increased revenues from wealth management (up 13%) and consumer banking (up 32%) resulted in this upsurge.

The Asset Management division recorded revenues of \$4.61 billion against negative revenues of \$96 million in the prior year. This upside mainly resulted from higher net revenues in lending and debt investments, equity investments, and management and other fees. These were partially offset by lower incentive fees.

Assets under supervision were \$2.20 billion, up 21% year over year.

Strong Capital Position

As of Mar 31, 2021, Common Equity Tier 1 ratio was 14.3% under the Basel III Standardized Approach, highlighting valid transitional provisions. The figure was up from the prior-year quarter's 12.5%.

The company's supplementary leverage ratio, on a fully phased-in basis, was 6.5% as of Mar 31, 2021, up from the prior-year quarter figure of 5.9%.

Return on average common shareholders' equity, on an annualized basis, was 31% in the quarter.

Capital Deployment Update

During the quarter, Goldman returned \$3.15 billion of capital to common shareholders. This included \$2.70 billion of share repurchases and \$448 million of common stock dividends.

Outlook

Management expects the 2021 pre-tax loss for consumer business, excluding the impact of reserves is likely going to be higher, driven by lower value on deposits, tighter credit standards, and additionally the investment in new General Motors credit card. Beyond 2021, Goldman will continue to invest where needed, and opportunities to build additional functionality with the digital bank, as well as to pursue further growth in

Quarter Ending **03/2021**

Report Date	Apr 14, 2021
Sales Surprise	47.94%
EPS Surprise	89.99%
Quarterly EPS	18.60
Annual EPS (TTM)	46.62

partnership channel.

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

Medium-Term and Long-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 projected in the range of 13-13.5%.

Funding optimization is expected to be \$1 billion. Expense efficiency savings estimated to be \$1.3 billion (achieved half in 2020). Deposit growth expected to be \$100 billion (reached \$70 billion in 2020).

Over the long term, in Investment banking, management expects transaction banking revenues worth \$1 billion and deposits worth \$50 billion in more than five years horizon. Revenue generation from expanded client footprint is anticipated to be in the range of \$500 million to \$2 billion.

In Global Markets, \$700 million expense efficiencies and \$2 billion capital optimization is projected.

In Asset Management, \$250 billion worth net traditional inflows (including both equity and fixed-income) and \$100 billion worth net alternative inflows is anticipated. Further, capital reduction of \$4 billion is expected.

In Consumer and Wealth Management, overall expansion is anticipated with the aim of building leading digital consumer bank.

Recent News

Goldman Sachs Enters Green Bonds Market With \$800M Deal - Feb 12, 2021

Goldman Sachs issued its first-ever sustainable bonds worth \$800 million. Also, the bank was forced to increase its offering by \$50 million due to strong demand from investors. Single-tranche bonds, set to mature in five years, are expected to yield 0.4% more than Treasuries.

The proceeds from this offering are likely to be used to finance loans and investments made in projects and assets, such as clean energy, sustainable transport and financial inclusion that match the criteria for Goldman's green and social framework.

Notably, per Goldman's sustainability issuance framework, it seeks to finance and invest about \$750 billion across nine key themes tied to climate transition and inclusive growth over the next 10 years. Bloomberg also reported that Goldman has organized a group focused on investment opportunities in clean energy, waste and other sustainability industries since October 2020.

Goldman Charged in Foreign Bribery Case and Agrees to Pay Over \$2.9B – Oct 22, 2020

Goldman and its Malaysian subsidiary, have admitted to conspiring to violate the Foreign Corrupt Practices Act (FCPA) in connection with a scheme to pay over \$1 billion in bribes to Malaysian and Abu Dhabi officials to obtain lucrative business for Goldman, including its role in underwriting approximately \$6.5 billion in three bond deals for 1Malaysia Development Bhd. (1MDB), for which the bank earned hundreds of millions in fees. Goldman will pay more than \$2.9 billion as part of a coordinated resolution with criminal and civil authorities in the United States, the United Kingdom, Singapore, and elsewhere.

The bank entered into a deferred prosecution agreement with the department in connection with criminal information filed in the Eastern District of New York charging the company with conspiracy to violate the anti-bribery provisions of the FCPA. GS Malaysia pleaded guilty in the U.S. District Court for the Eastern District of New York to one-count criminal information charging it with conspiracy to violate the anti-bribery provisions of the FCPA.

Previously, Tim Leissner, the former Southeast Asia Chairman and participating managing director of Goldman, pleaded guilty to conspiring to launder money and to violate the FCPA. Ng Chong Hwa, also known as "Roger Ng," former managing director of Goldman and head of investment banking for GS Malaysia, has been charged with conspiring to launder money and to violate the FCPA. Ng was extradited from Malaysia to face these charges and is scheduled to stand trial in March 2021. The cases are assigned to U.S. District Judge Margo K. Brodie of the Eastern District of New York.

In addition to these criminal charges, the department has recovered, or assisted in the recovery of, in excess of \$1 billion in assets for Malaysia associated with and traceable to the 1MDB money laundering and bribery scheme.

"Goldman accepted responsibility for its role in a conspiracy to bribe high-ranking foreign officials to obtain lucrative underwriting and other business relating to 1MDB," said Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division.

Under the terms of the agreements, Goldman will pay a criminal penalty and disgorgement of over \$2.9 billion. Goldman also has reached separate parallel resolutions with foreign authorities in the United Kingdom, Singapore, Malaysia, and elsewhere, along with domestic authorities in the United States. The department will credit over \$1.6 billion in payments with respect to those resolutions.

Dividend Update

On Apr 13, Goldman's board of directors announced a quarterly dividend of \$1.25 per share. The dividend will be paid out on Jun 29 to shareholders on record as of Jun 1, 2021.

Valuation

Goldman's shares are up 30.1% so far this year and 90.2% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 23.1% and 13.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 95.9% and 55.6%, respectively.

The S&P 500 Index is up 12.3% and 56.1% in the year-to-date period and trailing 12-month period, respectively.

The stock is currently trading at 8.46X forward 12 months earnings, which compares to 12.77X for the Zacks sub-industry, 17.1X for the Zacks sector and 23.28X 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 9.99X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$395 price target reflects 9.37X 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	8.46	12.77	17.1	23.28
	5-Year High	15.48	14.84	17.16	23.83
	5-Year Low	5.49	5.59	11.6	15.3
	5-Year Median	9.99	11.49	14.82	18.01
P/TB TTM	Current	1.26	3.03	3.69	17.89
	5-Year High	1.51	3.21	4.06	17.89
	5-Year Low	0.63	1.35	2.05	8.07
	5-Year Median	1.07	2.31	3.56	11.34
P/S F12M	Current	2.5	4.76	7.89	4.83
	5-Year High	3.24	4.76	7.89	4.83
	5-Year Low	1.24	2.7	5.03	3.21
	5-Year Median	2.26	3.51	6.16	3.71

As of 04/19/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 1% (3 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Bank of America Corporation (BAC)	Outperform	1
Evercore Inc (EVR)	Outperform	1
Jefferies Financial Group Inc. (JEF)	Outperform	1
JPMorgan Chase & Co. (JPM)	Outperform	1
Moelis & Company (MC)	Outperform	1
Morgan Stanley (MS)	Outperform	1
Citigroup Inc. (C)	Neutral	3
KeyCorp (KEY)	Neutral	3

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)	Outperform	-	-	Outperform	Outperform	Outperform
Zacks Rank (Short Term)	1	-	-	1	1	1
VGM Score	A	-	-	A	C	F
Market Cap	118.37 B	2.16 B	29.93 B	5.77 B	464.82 B	147.01 B
# of Analysts	8	2	12	3	10	8
Dividend Yield	1.46%	0.00%	1.28%	1.78%	2.35%	1.78%
Value Score	C	-	-	B	F	F
Cash/Price	4.35	0.36	0.06	0.14	3.29	2.27
EV/EBITDA	-11.55	7.72	17.13	9.05	-14.60	2.30
PEG F1	0.42	1.54	2.40	NA	2.38	1.94
P/B	1.21	2.56	4.09	3.76	1.87	1.52
P/CF	7.98	13.69	17.07	11.59	12.33	9.70
P/E F1	7.69	13.10	22.40	12.88	11.88	13.10
P/S TTM	1.95	2.20	3.49	2.54	3.57	2.60
Earnings Yield	12.56%	7.63%	4.40%	7.77%	8.41%	7.63%
Debt/Equity	2.23	0.25	0.66	0.23	1.12	2.31
Cash Flow (\$/share)	42.98	2.13	6.78	12.02	12.38	8.25
Growth Score	B	-	-	A	C	F
Historical EPS Growth (3-5 Years)	13.35%	16.60%	9.39%	20.77%	12.05%	21.90%
Projected EPS Growth (F1/F0)	73.79%	22.53%	15.50%	10.78%	45.28%	-8.85%
Current Cash Flow Growth	45.40%	12.20%	0.72%	19.70%	-14.28%	31.92%
Historical Cash Flow Growth (3-5 Years)	8.00%	16.62%	7.37%	19.50%	6.04%	15.80%
Current Ratio	1.19	1.25	1.39	2.23	0.84	0.73
Debt/Capital	69.08%	19.04%	41.26%	18.52%	51.25%	67.79%
Net Margin	28.40%	11.13%	10.59%	15.44%	31.15%	23.73%
Return on Equity	20.07%	17.04%	15.09%	37.19%	16.66%	16.12%
Sales/Assets	0.05	0.21	0.50	0.85	0.04	0.06
Projected Sales Growth (F1/F0)	10.45%	7.27%	7.49%	9.50%	0.71%	6.46%
Momentum Score	A	-	-	C	A	A
Daily Price Change	0.23%	0.00%	-0.35%	1.47%	-0.42%	1.83%
1-Week Price Change	3.48%	0.00%	1.43%	4.25%	-1.91%	-2.64%
4-Week Price Change	1.11%	1.08%	5.03%	4.35%	1.11%	-2.31%
12-Week Price Change	21.22%	18.29%	11.52%	23.26%	15.54%	10.57%
52-Week Price Change	90.18%	94.10%	55.92%	161.74%	66.45%	108.63%
20-Day Average Volume (Shares)	3,130,392	106,200	1,809,778	496,419	14,712,578	11,075,915
EPS F1 Estimate 1-Week Change	34.52%	0.00%	0.00%	0.00%	13.50%	1.56%
EPS F1 Estimate 4-Week Change	48.78%	5.77%	0.05%	9.67%	23.16%	5.77%
EPS F1 Estimate 12-Week Change	68.08%	19.17%	1.87%	23.34%	28.92%	14.47%
EPS Q1 Estimate Monthly Change	28.38%	3.51%	0.00%	4.68%	15.75%	10.71%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	A
VGM Score	A

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

Disclosures

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.