Goldman Sachs (GS)

$330.55 (As of 03/25/21)

Price Target (6-12 Months): **$380.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/30/20) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:A
	Value: B | Growth: A | Momentum: B	

Summary

Shares of Goldman have outperformed the industry in the past three months. Also, the company has an impressive earnings surprise history, outpacing the Zacks Consensus Estimate in each the trailing four quarters. Goldman's solid position in worldwide announced and completed M&As will keep strengthening the business. Also, business diversification, including digital platforms, helps Goldman sustain growth. Efforts to expand consumer lending business keep us encouraged. Prudent cost-management initiatives might continue supporting bottom-line growth. Moreover, with strong liquidity position, Goldman 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 remains a tailwind.

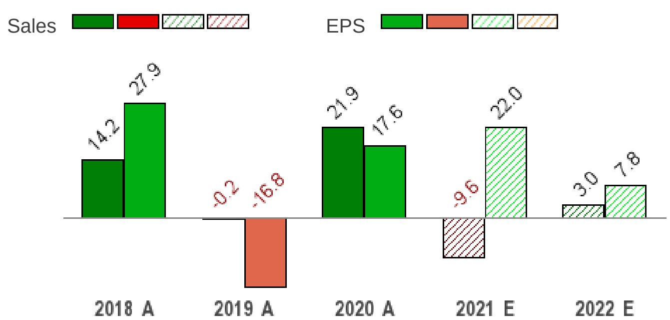
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$356.85 - $141.67**
20-Day Average Volume (Shares)	**3,022,181**
Market Cap	**$114.3 B**
Year-To-Date Price Change	**25.4%**
Beta	**1.48**
Dividend / Dividend Yield	**$5.00 / 1.5%**
Industry	**Financial - Investment Bank**
Zacks Industry Rank	**Top 2% (5 out of 253)**
Last EPS Surprise	**72.8%**
Last Sales Surprise	**21.6%**
EPS F1 Estimate 4-Week Change	**1.6%**
Expected Report Date	**04/14/2021**
Earnings ESP	**18.7%**
P/E TTM	**10.6**
P/E F1	**11.0**
PEG F1	**0.6**
P/S TTM	**2.1**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	10,716 E	9,940 E	9,868 E	10,211 E	41,513 E
2021	10,317 E	9,856 E	9,468 E	9,730 E	40,290 E
2020	8,743 A	13,295 A	10,781 A	11,741 A	44,560 A

EPS Estimates

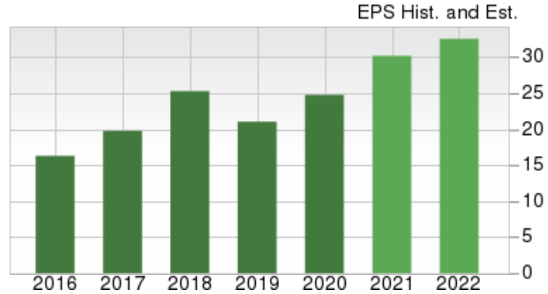
	Q1	Q2	Q3	Q4	Annual*
2022	$8.25 E	$8.14 E	$7.87 E	$8.79 E	$32.53 E
2021	$7.72 E	$7.51 E	$7.10 E	$7.86 E	$30.18 E
2020	$3.11 A	$6.26 A	$9.68 A	$12.08 A	$24.74 A

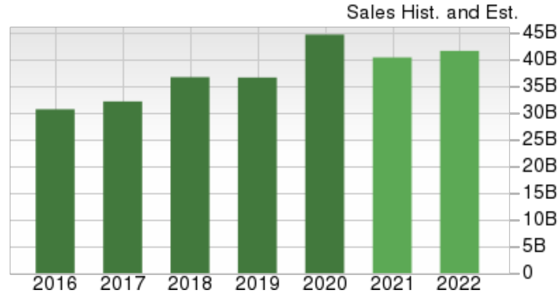
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/25/2021. The report's text and the analyst-provided price target are as of 03/26/2021.

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 Dec 31, 2020, the company had a total of 40,500 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 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 Folio Financial and United Capital.

Source: Zacks Investment Research

Reasons To Buy:

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.

- 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 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.

- Goldman has benefited in the past few years from its prudent expense-reduction initiatives. Though expenses have been volatile for the past few years, the figure declined significantly in 2016, but recorded four-year CAGR of 11.4% in 2020, due to higher compensation and litigation expenses. 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.

- The company holds a total debt level of $440 billion as of Dec 31, 2020, which has declined over the past few quarters. Also, debt-to-equity ratio of 0.69 has also witnessed a downtrend. With cash and equivalents of $406 billion 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 second round of 2020 stress test results, the company plans to resume 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. Also, the company's payout ratio compares favorably with the broader industry reflecting such dividend hikes sustainable in the future.

- Shares of Goldman have outperformed the industry in the past three months. With this favorable trend, the company's current-year earnings estimate has been revised 2.9% upward over the last 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. It has a Value Score of B. Therefore, given the robust fundamentals and positive estimate revisions, the stock has upside potential.

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. 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 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.

Last Earnings Report

Goldman Q4 Earnings Beat Estimates on Revenue Strength

Quarter Ending	12/2020
Report Date	Jan 19, 2021
Sales Surprise	21.63%
EPS Surprise	72.82%
Quarterly EPS	12.08
Annual EPS (TTM)	31.13

Aided by revenue strength, Goldman reported fourth-quarter 2020 earnings per share of $12.08, significantly surpassing the Zacks Consensus Estimate of $6.99. Also, the bottom-line figure compares favorably with the earnings of $4.69 per share recorded in the year-earlier quarter.

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

Additionally, elevated financial advisory revenues, owing to the rise in industry-wide completed mergers and acquisitions transactions, acted as a tailwind. Moreover, fall in provisions and expenses remain favorable factors.

The investment bank, nevertheless, disappointed with the corporate lending and debt underwriting revenues.

For full-year 2020, net income per share of $24.74 came in higher than the year-ago earnings of $21.03. This reflects the second highest annual earnings per share reported by Goldman. Earnings also outpaced the Zacks Consensus Estimate of $20.53. Results included the impact of $9.51 related to net provisions for litigation and regulatory proceedings during the year.

Revenues Climb, Expenses Down

For full-year 2020, the company reported revenues of $44.6 billion, up 22% year over year. Further, revenues beat the Zacks Consensus Estimate of $42.5 billion.

Goldman's net revenues were up 18% year over year to $11.74 billion in the October-December quarter. The revenue figure also beat the Zacks Consensus Estimate of $9.65 billion.

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

The **Investment Banking** division generated revenues of $2.61 billion, up 27% year on year. Results reflect higher underwriting revenues (up 68%), supported by improved equity underwriting, partly offset by lower debt underwriting revenues. Yet, corporate lending reported negative revenues. Further, increased financial advisory revenues (up 28%) were on the upside owing to rise in industry-wide completed merger and acquisition transactions.

The **Global Markets** division recorded revenues of $4.27 billion, up 23% year over year. This uptick indicates record net revenues in Fixed Income, Currency and Commodities Client Execution (up 6%), fueled by solid revenues from credit products, currencies and commodities, partly offset by lower revenues in interest rate products and mortgages. However, FICC financing was on the downside.

Furthermore, higher equities revenues (up 40%) were recorded, aided by elevated equities intermediation.

The **Consumer and Wealth Management** division's revenues of $1.65 billion came in 17% higher year over year during the December-end quarter. Increased revenues from wealth management (up 11%) and consumer banking (up 52%) resulted in this upsurge.

The **Asset Management** division recorded revenues of $3.21 billion, up 7% year on year. This upside mainly resulted from higher net revenues in lending and debt investments, along with elevated incentive and management and other fees.

Assets under supervision were $2.15 billion, up 15.6% year over year.

Total operating expenses dropped 19% year over year to $5.91 billion. Fall in compensation and benefits, travel and entertainment, and occupancy associated costs, partly negated by higher charitable contributions, transaction-based and technology expenses chiefly resulted in this decline.

Notably, net provisions for litigation and regulatory proceedings of $24 million were recorded compared with the prior-year quarter's $1.09 billion.

Provision for credit losses was $293 million during the fourth quarter, down 13% from the prior-year quarter figure of $336 million due to reduced reserves on wholesale loans as the broader economic environment stabilized post COVID-19 pandemic impact earlier in 2020, partially negated by elevated provisions from growth in credit card loans.

Strong Capital Position

Goldman displayed a robust capital position in the reported quarter. As of Dec 31, 2020, the company's Common Equity Tier 1 ratio was 14.7% under the Basel III Advanced Approach, highlighting valid transitional provisions. The figure was up from the prior-year quarter's 13.3%.

The company's supplementary leverage ratio, on a fully phased-in basis, was 7% at the end of the October-December quarter, up from the prior-year quarter figure of 6.2%.

Return on average common shareholders' equity, on an annualized basis, was 21.1% in the quarter and 11.1% for the year 2020.

Capital Deployment Update

During 2020, Goldman repurchased 8.2 million shares of its common stock at an average price per share of $236.35 and a total cost of $1.93 billion and paid $1.8 billion of common stock dividends. Remarkably, share repurchases were made in first quarter of 2020.

The fourth-quarter 2020 includes around $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 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 Jan 15, Goldman's board of directors announced a quarterly dividend of $1.25 per share. The dividend was paid on Mar 30, to shareholders of record as of Mar 2, 2021.

Valuation

Goldman's shares are up 25.4% so far this year and 108.8% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 20.4% and 8.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 108.4% and 45%, respectively.

The S&P 500 Index is up 3.9% and 50% in the year-to-date period and trailing 12-month period, respectively.

The stock is currently trading at 10.76X forward 12 months earnings, which compares to 13.92X for the Zacks sub-industry, 16.74X for the Zacks sector and 22.01X 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 9.97X. Our Outperform recommendation indicates that the stock will perform better than the market. Our $380 price target reflects 12.37X 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	10.76	13.92	16.74	22.01
	5-Year High	15.48	14.84	17.13	23.8
	5-Year Low	5.49	5.59	11.6	15.3
	5-Year Median	9.97	11.32	14.58	17.9
P/TB TTM	Current	1.41	2.96	3.49	16.52
	5-Year High	1.51	3.21	4.05	16.89
	5-Year Low	0.63	1.35	2.05	8.07
	5-Year Median	1.06	2.29	3.54	11.23
P/S F12M	Current	2.82	4.81	7.6	4.49
	5-Year High	3.24	4.81	7.6	4.49
	5-Year Low	1.24	2.7	5.02	3.21
	5-Year Median	2.25	3.51	6.13	3.69

As of 03/25/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 2% (5 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Evercore Inc **(EVR)**	Outperform	1
Jefferies Financial Group Inc. **(JEF)**	Outperform	1
Moelis & Company **(MC)**	Outperform	1
Morgan Stanley **(MS)**	Outperform	2
Bank of America Corporation **(BAC)**	Neutral	3
Citigroup Inc. **(C)**	Neutral	3
JPMorgan Chase & Co. **(JPM)**	Neutral	2
KeyCorp **(KEY)**	Neutral	3

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

Industry Comparison Industry: Financial - Investment Bank

	GS	X Industry	S&P 500	EVR	JPM	MS
				Industry Peers		
Zacks Recommendation (Long Term)	Outperform	-	-	Outperform	Neutral	Outperform
Zacks Rank (Short Term)	2	-	-	1	2	2
VGM Score	A	-	-	A	C	F
Market Cap	114.30 B	1.80 B	28.95 B	5.42 B	465.51 B	145.18 B
# of Analysts	8	2	13	3	10	6
Dividend Yield	1.51%	0.00%	1.39%	1.89%	2.36%	1.75%
Value Score	B	-	-	B	D	D
Cash/Price	3.41	0.35	0.06	0.14	2.80	2.22
EV/EBITDA	-4.66	6.43	15.96	8.33	-10.65	2.05
PEG F1	0.59	1.99	2.34	NA	2.86	2.14
P/B	1.34	2.43	3.89	3.53	1.87	1.55
P/CF	7.69	13.05	16.21	10.74	12.32	9.71
P/E F1	10.95	13.89	21.41	13.28	14.31	14.44
P/S TTM	2.14	2.14	3.27	2.39	3.59	2.79
Earnings Yield	9.13%	7.20%	4.59%	7.53%	6.99%	6.93%
Debt/Equity	2.52	0.23	0.67	0.23	1.13	2.31
Cash Flow ($/share)	42.98	2.13	6.78	12.02	12.38	8.25
Growth Score	A	-	-	A	C	F
Historical EPS Growth (3-5 Years)	10.27%	16.60%	9.32%	20.77%	11.12%	22.04%
Projected EPS Growth (F1/F0)	21.99%	20.84%	14.86%	1.01%	20.07%	-15.68%
Current Cash Flow Growth	45.40%	12.20%	0.61%	19.70%	-14.28%	31.92%
Historical Cash Flow Growth (3-5 Years)	8.00%	16.62%	7.32%	19.50%	6.04%	15.80%
Current Ratio	0.75	1.24	1.39	2.23	0.86	0.73
Debt/Capital	69.00%	18.52%	41.42%	18.52%	51.72%	67.79%
Net Margin	21.65%	10.28%	10.59%	15.44%	22.48%	21.13%
Return on Equity	14.20%	15.06%	14.75%	37.19%	12.19%	13.41%
Sales/Assets	0.05	0.21	0.51	0.85	0.04	0.05
Projected Sales Growth (F1/F0)	-9.58%	4.69%	7.02%	5.44%	-4.00%	-0.37%
Momentum Score	B	-	-	B	B	B
Daily Price Change	0.58%	0.40%	1.19%	1.22%	1.28%	1.01%
1-Week Price Change	-1.32%	-0.08%	-0.30%	-2.44%	-0.65%	-1.66%
4-Week Price Change	0.85%	0.69%	3.48%	7.89%	0.91%	2.17%
12-Week Price Change	25.35%	21.98%	6.97%	17.68%	20.05%	16.93%
52-Week Price Change	99.38%	86.95%	53.41%	176.99%	55.47%	124.39%
20-Day Average Volume (Shares)	3,022,181	168,955	2,415,072	544,890	17,750,130	11,737,092
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	1.59%	0.00%	0.00%	2.28%	0.45%	0.00%
EPS F1 Estimate 12-Week Change	19.35%	19.35%	2.09%	17.78%	15.34%	11.52%
EPS Q1 Estimate Monthly Change	1.31%	0.00%	0.00%	0.00%	0.68%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	A
Momentum Score	B
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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

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 mediumterm 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 mostrecent 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.