

Hain Celestial Group (HAIN)

\$34.90 (As of 10/26/20)

Price Target (6-12 Months): **\$37.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/26/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: C

Growth: A

Momentum: B

Summary

Shares of Hain Celestial have increased and outperformed the industry over the past six months. The stock's momentum can be attributed to the company's sound growth fundamentals. This was reflected in fourth-quarter fiscal 2020 performance, with the top and the bottom lines improving year-on-year. With this, the company delivered its fourth straight earnings beat. Top-line gained from higher sales at the company's North America segment. Gross margin also depicted solid growth, backed by better product mix and improved absorption of overheads across plants. Going ahead, the company is on track with transformational and rationalization efforts. Moreover the company expects net sales and adjusted EBITDA to rise in the first half of fiscal 2021. For first-quarter fiscal 2021, management predicts net sales to grow in mid-single digit.

Data Overview

52-Week High-Low	\$36.90 - \$18.12
20-Day Average Volume (Shares)	534,222
Market Cap	\$3.5 B
Year-To-Date Price Change	34.5%
Beta	0.67
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Food - Miscellaneous
Zacks Industry Rank	Bottom 23% (190 out of 248)

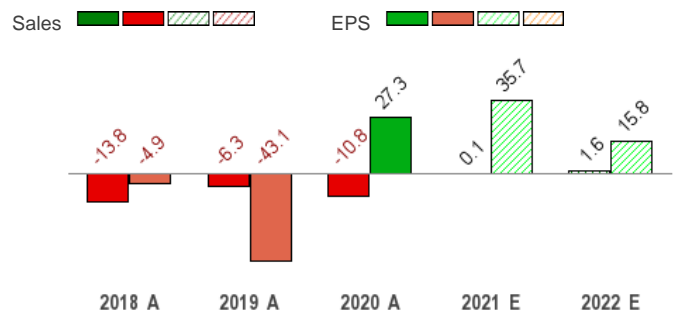
Last EPS Surprise	18.5%
Last Sales Surprise	-0.2%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	11/10/2020
Earnings ESP	0.0%

P/E TTM	41.1
P/E F1	30.6
PEG F1	15.3
P/S TTM	1.7

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	495 E	526 E	560 E	527 E	2,089 E
2021	494 E	515 E	544 E	505 E	2,057 E
2020	482 A	507 A	553 A	512 A	2,054 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.24 E	\$0.29 E	\$0.40 E	\$0.37 E	\$1.32 E
2021	\$0.18 E	\$0.25 E	\$0.35 E	\$0.35 E	\$1.14 E
2020	\$0.08 A	\$0.17 A	\$0.28 A	\$0.32 A	\$0.84 A

*Quarterly figures may not add up to annual.

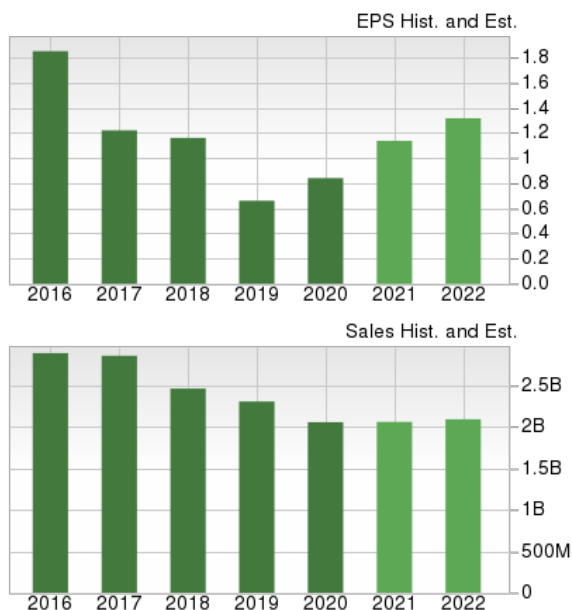
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 10/26/2020. The reports text is as of 10/27/2020.

Overview

Incorporated in 1993 and headquartered in Lake Success, New York, The Hain Celestial Group, Inc. (HAIN) produces, distributes, markets, and sells various natural and organic foods as well as personal care products with operations in North America and Europe. The company offers popular better-for-you groceries (non-dairy beverages and frozen desserts, flour and baking mixes, cereals, condiments, cooking oils, infant and toddler food, etc.), snacks (potato and vegetable chips, organic tortilla style chips, whole grain chips and popcorn, etc.), and tea (include herb teas such as Lemon Zinger, Peppermint, Mandarin Orange Spice, Cinnamon Apple Spice, Red Zinger, etc.). Earlier, Hain Celestial reports its results in three segments United States, United Kingdom and Rest of World.

Following changes in the strategy that includes creating synergies among its businesses, Hain Celestial reassessed its segment reporting structure. Effective from Jul 1, the company's Canada and Hain Ventures operating units were moved from the Rest of World reporting segment to the United States reportable segment. The combined segment was renamed as "North America". Similarly, the Europe operating segment was combined with the United Kingdom reportable segment. Together, they are reported as the "International" segment.

The Hain Celestial Group is the largest manufacturer in the natural foods segment and has several leading brands. Some of the prominent brands are Earth's Best, Ella's Kitchen, Terra, Garden of Eatin', Sensible Portions, Health Valley, MaraNatha, DeBoles, Hain Pure Foods, Imagine, Almond Dream, Soy Dream and Other notable brands include The Greek Gods, Blueprint, Yves Veggie Cuisine, Better Bean, Europe's Best, Cully & Sully, New Covent Garden Soup Co., Yorkshire Provender, Johnson's Juice Co., Farmhouse Fare, Hartley's, Sun-Pat, Gale's, Robertson's, Frank Cooper's, Linda McCartney, Lima, Danival, Joya, Natumi, GG UniqueFiber, JASON, Avalon Organics, Alba Botanica, Live Clean and Queen Helene.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Robust Q4 Earnings & Margins:** Shares of Hain Celestial have gained 27.8% in the past six months outperforming the industry's rise of 7%. Much of the stock's momentum can be attributed to its sound fundamentals and strategic efforts. In fact, during fourth-quarter fiscal 2020, the company's top and bottom line improved year on year. Adjusted earnings surpassed the Zacks Consensus Estimate. With this the company delivered its fourth straight earnings beat. Top-line growth was backed by higher sales in the company's North America segment. Margins were also robust in the quarter, which acted as an added incentive to the bottom line. Adjusted gross margin expanded 257 basis points (bps) owing to higher sales, supply-chain productivity efforts, better product mix and improved absorption of overheads across plants. We note that adjusted EBITDA margin expanded 237 bps to 12.1%. Overall, management is pleased with its fiscal 2020 performance with profitability toward the higher end of its anticipations. Results were backed by continued focus on the transformation plan, which led to solid margin improvement and operating cash flow generation. Moreover, the company's North America segment performed well in fiscal 2020, driven by growth in the Get Bigger brands.

Growth in North America segment along with sound business fundamentals have been supporting Hain Celestial's top-line. It is also on track with transformation and rationalization efforts.

For fiscal 2021, Hain Celestial expects consistent margin growth, double digit adjusted EBITDA growth and double digit operating free cash flow growth. The company believes that the first half of fiscal 2021 will yield strong net sales and adjusted EBITDA growth. For the first quarter of fiscal 2021, based on actual results to date, management anticipates net sales to grow in mid-single digit, after excluding divestitures and discontinued brands. Further, it expects margin to rise by several 100 points in the quarter and anticipates higher adjusted EBITDA.

- ▲ **Strategic Endeavors:** Hain Celestial is focused on its global strategic goals and continues to make marketing investments in key brands. Further, it is progressing well with its transformation strategy to deliver sustainable profits. The transformation strategy is aimed at simplifying portfolio, identifying additional areas of productivity savings, enhancing margins, reviving top-line growth and improving cash flow. Moreover, well-chalked innovations, marketing and assortment optimization efforts have been supporting the company's top-line. It is also on track with boosting automation capabilities in plants for lowering costs.

Furthermore, Hain Celestial is on track to simplify its business. In fact, by exiting smaller and non-strategic brands, the company is able to reduce supply-chain complexity and redeploy resources on bigger growth opportunities. Last month, the company sold its Danival business in Europe to Wessanen N.V.'s subsidiary. On May 1, 2020, it concluded the sale of the Rudi's Gluten Free Bakery TM and Rudi's Organic Bakery brands to an affiliate of the Promise Gluten Free. Alongside Rudi's, the company also exited from brands like Blueprint, Fountain of Truth and DeBoles during the fourth quarter of fiscal 2020. Earlier, management sold two loss making brands — SunSpire and Arrowhead Mills — for \$15 million and also divested Tilda to EBRO FOODS. Moreover, the company concluded the sale of its entire equity stake in Hain Pure Protein Corporation, which incorporates the FreeBird and Empire Kosher businesses.

- ▲ **Acquisitions Playing a Key Role:** Acquisitions form key part of the company's strategy to build market share. Buyouts have not only expanded the company's geographical presence but have also provided opportunities to cross-sell products in the United States, Canadian and European markets. A healthy balance sheet enables it to target strategic acquisition opportunities, which is likely to result in incremental sales along with providing the company a strong foothold in the packaged food and grocery market. Notably, one of the Hain Celestial's wholly-owned subsidiaries acquired Clarks UK Ltd. (The Natural Sweeteners Company), the leading maple syrup brand, and a natural sweetener brand, in the U.K. Earlier, the company purchased leading packaged grocery brands — Hartley's, Gale's Robertson's, Frank Cooper's and Sun-Pat — from Premier Foods plc. The company also acquired Ella's Kitchen Group Limited that offers organic baby food products under approximately 80 brands.
- ▲ **SKU Rationalization Program:** Hain Celestial has undertaken a number of initiatives to improve performance and to put itself on the growth trajectory. The company's Stock Keeping Unit ("SKU") rationalization program has helped eliminate SKUs based on lower sales volume or weak margins, and identified 700 SKUs, which are already phased out of portfolio. The company initiated a more aggressive program called the 2018 Project Terra SKU rationalization. In fiscal 2019, the Company initiated a SKU rationalization, which included the elimination of approximately 350 low velocity SKUs. Moreover, the company has discontinued roughly 500 SKUs in order to expand margins and cash flows.
- ▲ **Debt Analysis:** Hain Celestial ended fourth-quarter fiscal 2020 with cash & cash equivalents of \$37.8 million as of Jun 30, which shows an increase of roughly 22% on a quarter-on-quarter basis. Notably, the company's cash position remains sufficient to meet current portion of long-term debt of about \$1.7 million. Hain Celestial's long-term debt (including operating lease liabilities) of \$364.1 million as of Jun 30, decreased 16.8% sequentially. Further, its times interest earned ratio of 2.9, portrays a sequential increase from 1.3. Again, the company's debt-to-capitalization ratio of 0.20 at the end of the fourth quarter is better than that of industry's 0.46.

Reasons To Sell:

- ▼ **Growth Likely to Slow Down:** Management expects slowed rate of growth for the second half of fiscal 2021, as compared with the first half. In fact, the company has less clarity regarding the outlook for the second half of the fiscal due to uncertainty in macro-economic factors, primarily stemming from the COVID-19 outbreak. There is a probability that the current eating-at-home trend shall moderate as the company progresses into the second half.
- ▼ **Stock Looks Stretched:** Considering price-to-earnings (P/E) ratio, Hain Celestial looks overvalued when compared with the industry as well as the S&P 500. The stock has a trailing 12-month P/E ratio of 41.1, which is above its median level of 39 but below the high level of 43.5 scaled in the past year. On the contrary, the trailing 12-month P/E ratio for the industry and the S&P 500 is 19.1 and 24.2, respectively.
- ▼ **Foreign Currency Woes:** Hain Celestial has operations in the international markets, thus highly exposed to fluctuation in foreign exchange rates. Year-over-year currency fluctuations in the British pound, euro, and Canadian dollar, which when denominated in strong U.S. dollars, may negatively affect sales. In fourth-quarter fiscal 2020, foreign currency fluctuations hurt the company's International revenues by roughly \$7 million. Further, foreign currency woes impacted gross profit and EBITDA to the tune of \$2 million and \$1 million, respectively, in the quarter.
- ▼ **Stiff Competition:** Hain Celestial operates in a highly competitive food industry, wherein it faces competition from conventional packaged goods companies as well as natural and organic packaged foods companies. The company competes on grounds of lower cost advantage, pricing, packaging, product quality, taste, geographic reach and responsiveness to changing consumer needs among others. Further, significant consolidation in the grocery and foodservice industry and consumers evolving preferences has intensified competition of late.
- ▼ **Seasonal Risks:** Hain Celestial remains prone to seasonal fluctuations for some of its product lines. For instance, sales for tea, baking products, soup, and hot cereal and desserts are stronger in colder months, while sales for snacks, sunscreen and personal care products are grater in warmer months. Absence of the appropriate season for these products may result in lower sales and in turn weigh on the company's overall performance. Over the recent years, sales and earnings per share in the fiscal first quarter have generally been the lowest in four quarters.

Hain Celestial remains highly exposed to foreign currency translation risks. Also, the company is cautious regarding slowed rate of growth for the second half of fiscal 2021.

Last Earnings Report

Hain Celestial Beats Q4 Earnings, Sales Up Y/Y

Hain Celestial reported fourth-quarter fiscal 2020 results, wherein the bottom line exceeded the Zacks Consensus Estimate, while the top line missed the same. Results in North America benefited from increased at-home consumption due to COVID-19, though the International segment faced challenges related to the pandemic-led fruit business declines in the U.K.

While management did not offer any financial guidance for fiscal 2021 due to the uncertainty surrounding the pandemic, it envisions continued margin growth, robust double-digit adjusted EBITDA improvement and a double-digit rise in operating free cash flow. The first half is likely to see greater net sales and adjusted EBITDA improvements due to solid consumer and customer plans, together with increased at-home consumption owing to coronavirus. The second half of fiscal 2021 is likely to witness a slowdown in growth.

Quarter Ending	06/2020
Report Date	Aug 25, 2020
Sales Surprise	-0.22%
EPS Surprise	18.52%
Quarterly EPS	0.32
Annual EPS (TTM)	0.85

Quarter in Detail

The company posted adjusted earnings of 32 cents a share, which surpassed the Zacks Consensus Estimate of 27 cents. This marked the company's fourth consecutive beat. Higher sales and margins seem to have fueled the bottom line.

Net sales were \$511.7 million, which climbed 1% on reported and 3% on a constant-currency basis. Sales missed the consensus mark of about \$513 million. The top line was backed by higher sales at the company's North America segment, partly offset by declines in the International unit. On adjusting for currency fluctuations, divestitures and various other items like SKU rationalization, net sales advanced 7%.

Net sales in the North America segment increased 5% year over year to \$298.6 million. On adjusting for currency movements, divestitures, discontinued brands and SKU rationalization, net sales grew 13%. Segment adjusted operating income rose a solid 57% to \$38.9 million.

International net sales dropped 3% year over year to \$213.1 million. On adjusting for foreign currency fluctuations, divestitures, discontinued brands and SKU rationalization, net sales were flat year over year. Segment sales continued to face hurdles in the foodservice channel due to the pandemic. Further, segment adjusted operating income dipped 1% to \$22.7 million.

Margins

Adjusted gross margin expanded 257 basis points (bps) to 25.3%, thanks to greater sales, solid supply-chain productivity efforts, better product mix and improved absorption of overheads across plants. However, foreign currency fluctuations affected adjusted gross profit to the tune of \$2 million in the quarter.

Adjusted operating income was \$47.9 million in the quarter, up 39.2% from \$34.4 million in the year-ago quarter. Adjusted EBITDA grew 25.9% to \$62.2 million, while adjusted EBITDA margin expanded 237 bps to 12.1%. The expansion was fueled by a higher gross margin.

Other Financials

The company ended the quarter with cash and cash equivalents of \$37.8 million, long-term debt (excluding current portion) of \$281.1 million and total shareholders' equity of \$1,443.6 million. Cash provided by operating activities from continuing operations totaled \$156.9 million during fiscal 2020. The company's operating free cash flow from continuing operations was roughly \$96 million for fiscal 2020. Capital expenditures were \$60.9 million in the same time frame.

During the quarter, management bought back 0.1 million shares at an average cost of \$24.97 per share. In fiscal 2020, Hain Celestial bought back 2.6 million shares for a total of \$60.2 million. The company had shares worth \$189.8 million remaining under its buyback authorization as of Jun 30, 2020.

Other Developments & Outlook

On May 1, 2020, Hain Celestial divested its Rudi's business, which was part of the United States reporting segment. Further, effective Jul 21, the company closed the sale of Danival to a subsidiary of Wessanen N.V.

Management remains pleased with its fiscal 2020 performance, with profitability toward the higher end of its anticipations. Results were backed by continued focus on the transformation plan, which led to solid margin improvement and operating cash flow generation. Hain Celestial remains committed to its core growth pillars, which include simplifying portfolio, building capability, curtailing costs and boosting sales.

For the first quarter of fiscal 2021, management anticipates net sales to grow in mid-single digit, after excluding divestitures and discontinued brands. Further, it expects margin to rise by several 100 points in the quarter and anticipates higher adjusted EBITDA.

Recent News

Hain Celestial Divests Danival Brand – Jul 21, 2020

Hain Celestial transformational efforts bode well. With respect to the transformation strategy, the company recently announced divestiture of the Danival brand to Europe-based Wessanen N.V.'s subsidiary. However, details of the transaction remained under covers. The Danival brand, which formed part of Hain Celestial's Europe operating segment, consists of organic-cooked vegetables, sauces, fruit spreads, prepared meals and desserts. The latest divestiture further simplifies the company's brand portfolio.

Valuation

Hain Celestial shares are up 34.4% in the year-to-date period and 51.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Consumer Staples sector are down 4.5% and 6.7%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry is up 2.7% but the sector is down 1.8%.

The S&P 500 index is up 5.8% in the year-to-date period and 12.3% in the past year.

The stock is currently trading at 29.2X forward 12-month earnings, which compares to 18.41 for the Zacks sub-industry, 19.34X for the Zacks sector and 21.84X for the S&P 500 index.

Over the past five years, the stock has traded as high as 39.52X and as low as 12.55X, with a 5-year median of 21.96X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$37 price target reflects 30.96X forward 12-month earnings.

The table below shows summary valuation data for HAIN

Valuation Multiples - HAIN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	29.2	18.41	19.34	21.84
	5-Year High	39.52	22.9	22.37	23.47
	5-Year Low	12.55	14.74	16.61	15.27
	5-Year Median	21.96	18.52	19.56	17.68
P/S F12M	Current	1.7	1.74	9.36	4.05
	5-Year High	1.81	2.05	11.16	4.31
	5-Year Low	0.65	1.4	8.14	3.18
	5-Year Median	1.26	1.75	9.89	3.67
EV/EBITDA TTM	Current	22.63	14.07	37.87	14.91
	5-Year High	25.56	23.67	45.1	15.68
	5-Year Low	12.24	11.41	27.2	9.55
	5-Year Median	17.9	15.14	38.47	13.12

As of 10/26/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 23% (190 out of 248)



Top Peers

Company (Ticker)	Rec	Rank
United Natural Foods, Inc. (UNFI)	Outperform	1
BG Foods, Inc. (BGS)	Neutral	3
Campbell Soup Company (CPB)	Neutral	3
Flowers Foods, Inc. (FLO)	Neutral	3
General Mills, Inc. (GIS)	Neutral	2
Lamb Weston Holdings Inc. (LW)	Neutral	2
Mondelez International, Inc. (MDLZ)	Neutral	4
Sysco Corporation (SYU)	Neutral	4

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

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	HAIR	X Industry	S&P 500	BGS	CPB	LW
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	A	-	-	A	B	C
Market Cap	3.52 B	3.52 B	23.46 B	1.79 B	14.60 B	9.92 B
# of Analysts	6	3	13	3	7	4
Dividend Yield	0.00%	0.00%	1.66%	6.81%	2.90%	1.36%
Value Score	C	-	-	A	C	D
Cash/Price	0.01	0.07	0.07	0.10	0.06	0.10
EV/EBITDA	35.99	12.57	13.28	12.55	13.02	16.02
PEG F1	15.54	3.85	2.69	NA	11.46	4.15
P/B	2.46	2.32	3.42	2.19	5.68	29.82
P/CF	25.50	12.20	13.02	9.91	11.90	17.94
P/E F1	31.07	18.05	21.07	12.58	16.50	28.94
P/S TTM	1.71	1.34	2.56	0.97	1.68	2.70
Earnings Yield	3.27%	5.01%	4.47%	7.96%	6.07%	3.45%
Debt/Equity	0.19	0.58	0.70	2.29	1.94	8.98
Cash Flow (\$/share)	1.37	2.68	6.93	2.81	4.06	3.78
Growth Score	A	-	-	A	A	B
Historical EPS Growth (3-5 Years)	-21.56%	4.55%	10.10%	-0.35%	-2.54%	6.25%
Projected EPS Growth (F1/F0)	35.32%	10.79%	-1.80%	35.16%	-0.78%	-6.30%
Current Cash Flow Growth	16.71%	4.54%	5.49%	-0.56%	7.36%	-13.39%
Historical Cash Flow Growth (3-5 Years)	-11.10%	6.08%	8.50%	4.81%	2.72%	8.09%
Current Ratio	1.87	1.68	1.37	3.12	0.78	3.44
Debt/Capital	16.30%	36.72%	42.02%	69.64%	66.03%	89.98%
Net Margin	-3.91%	2.97%	10.35%	6.22%	18.73%	9.24%
Return on Equity	5.93%	9.73%	14.88%	15.65%	40.53%	130.91%
Sales/Assets	0.92	1.02	0.50	0.55	0.70	0.93
Projected Sales Growth (F1/F0)	0.16%	0.00%	-0.40%	16.17%	-3.44%	-5.58%
Momentum Score	B	-	-	D	C	C
Daily Price Change	-0.65%	-1.03%	-2.29%	-1.03%	-0.54%	-5.99%
1-Week Price Change	-2.98%	-0.25%	0.01%	-1.23%	-0.80%	-0.81%
4-Week Price Change	3.99%	0.59%	2.49%	-1.93%	0.65%	1.53%
12-Week Price Change	2.77%	0.72%	3.88%	-4.88%	-2.86%	12.74%
52-Week Price Change	51.94%	3.94%	1.66%	81.10%	3.72%	-10.84%
20-Day Average Volume (Shares)	534,222	141,202	1,767,276	632,504	1,803,855	1,066,797
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	-1.58%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.25%	0.00%	0.00%	12.48%
EPS F1 Estimate 12-Week Change	12.10%	3.25%	3.29%	5.89%	2.35%	7.21%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.00%	-5.40%

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	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

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Additional Disclosure

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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.