

Hasbro Inc. (HAS)

\$97.29 (As of 03/08/21)

Price Target (6-12 Months): **\$102.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/26/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

Growth: B

Momentum: F

Summary

Shares of Hasbro have outperformed the industry in the past six months. Notably, the company has been benefitting from new product launches, strategic partnerships and strong product line-up. This along with increased focus on gaming portfolio bodes well. Moreover, the company stated that it has enough liquidity to survive the pandemic scenario for some time. However, coronavirus related woes persists. This along with temporary store closures, dismal international sales, product shortages, lower retail inventories, supply chain disruption, live-action production shutdowns and changing theatrical release schedules owing to the pandemic, remains a concern. Also, rise in selling costs are likely to have hurt the company's margins. Meanwhile, earnings estimates for 2021 have declined over the past 30 days.

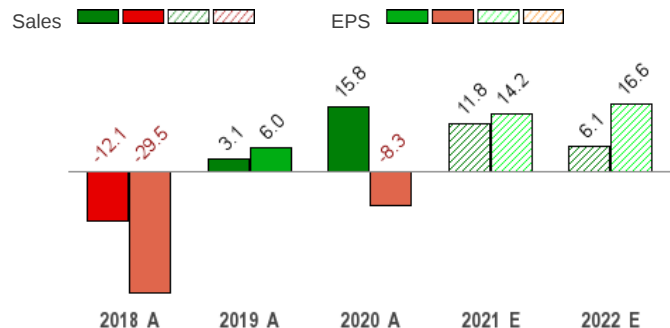
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$101.24 - \$41.33
20-Day Average Volume (Shares)	963,179
Market Cap	\$13.4 B
Year-To-Date Price Change	4.0%
Beta	0.99
Dividend / Dividend Yield	\$2.72 / 2.8%
Industry	Toys - Games - Hobbies
Zacks Industry Rank	Top 29% (73 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.4%
Last Sales Surprise	1.7%
EPS F1 Estimate 4-Week Change	-3.2%
Expected Report Date	05/05/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,281 E	1,185 E	2,088 E	2,029 E	6,481 E
2021	1,192 E	1,120 E	1,925 E	1,872 E	6,110 E
2020	1,106 A	860 A	1,777 A	1,723 A	5,465 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.82 E	\$0.41 E	\$2.09 E	\$1.64 E	\$4.98 E
2021	\$0.67 E	\$0.43 E	\$1.82 E	\$1.38 E	\$4.27 E
2020	\$0.57 A	\$0.02 A	\$1.88 A	\$1.27 A	\$3.74 A

*Quarterly figures may not add up to annual.

P/E TTM	26.0
P/E F1	22.8
PEG F1	2.1
P/S TTM	2.4

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/08/2021. The report's text and the analyst-provided price target are as of 03/09/2021.

Overview

Based in Pawtucket, RI, Hasbro Inc. is engaged in the design, manufacture and marketing of games and toys. The company, founded in 1923, offers traditional, high-tech and digital toys, games and licensed products under various well-known brands.

Meanwhile, beginning with the first quarter of 2017 earnings, Hasbro has started reporting its revenues by brand portfolio that includes Franchise Brands, Partner Brands, Hasbro Gaming and Emerging Brands. Earlier, the company used to provide revenues breakdown by product category: Boys, Games, Girls and Preschool.

In first-quarter 2020, the company completed the acquisition of Entertainment One Ltd. (eOne).

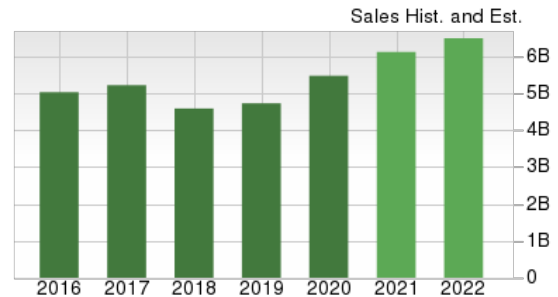
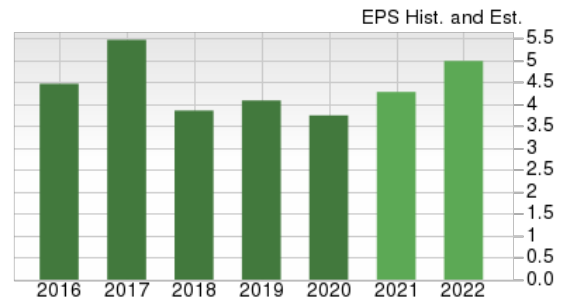
Hasbro has four business segments:

The **U.S. and Canada** segment (accounting for 45.9% of total fourth-quarter 2020 revenues) develops, markets and sells boys' action figures, arts and crafts and creative play products, electronic toys and related electronic interactive products, fashion and other dolls, infant products, play sets, preschool toys, plush products, sports action blasters and accessories, vehicles and toy-related specialty products, along with traditional board games, trading cards and role-playing games primarily within the United States and Canada.

Within the **International** segment (32.6%), the company develops, markets, and sells both toys as well as certain games in markets outside the U.S. and Canada, primarily in the European, Asia-Pacific, and Latin and South American regions.

The newly formed **eOne** (15.1%) segment leads company-wide entertainment content efforts. The segment focuses on development of potential Hasbro brands for television and film.

The company's **Entertainment, Licensing and Digital** (6.4%) segment includes the consumer products licensing, digital gaming, movie, television and online entertainment operations.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Sales Boosting Initiatives, Product Launches & Partnerships:** Hasbro continues to invest in innovation. It partnered with Paramount to enhance storytelling and content capabilities. Further, the company invested in Boulder Media — the company's animation studio — and increased digital capacities to drive sales. Hasbro continues to release Transformers Franchise in all forms of entertainment including movies, television and digital expressions. Given the company's several innovative and productive plans for Transformers franchise over the next 10 years, revenues are expected to grow. Apart from Paramount, the company announced that it entered several partnerships in the recent past, all of which indicate Hasbro's efforts to diversify revenues beyond retail sales and expand the customer base. Global retail support for STAR WARS: Solo, a Star Wars story product, was popular among consumers. It is expected to boost growth in the days ahead. Notably, the company believes that the multi-year entertainment slate for STAR WARS has created a bigger, more sustainable level of business for this top industry property. During the fourth quarter 2020, Hasbro's Star Wars lines grew significantly. Notably, high consumer acceptance was acquired in black series and the vintage collection, along with the newly launched Lightsabers and Mission Fleet.
- Going forward, the company plans to create a meaningful global merchandise program and supporting significant future partner brand initiatives which includes Disney+ for Star Wars and Marvel along with Disney Princess and Frozen. It also has a new creative stewardship in place that encompasses new storytelling for Power Rangers as well as for other Hasbro IP platforms. On the product innovation front, the company plans to release Dark Alliance under the Tuque Games in 2021. Moreover, the company intends to launch the mobile version of MAGIC: THE GATHERING Arena by early 2021. It also has Spellslingers in the pipeline, with the likelihood of Tencent publishing it in China. Other products like Peppa Pig and PJ Masks are in the pipeline.
- ▲ **E-Commerce to Drive Growth:** Owing to leverage in global retail network coupled with investments in new channels, Hasbro witnessed solid growth in its e-com revenues in 2020. Notably, the team drove more than \$1 billion in e-com revenues, increasing 43% year over year. It also contributed nearly 30% to global revenues in 2020. Going forward, the company continues to focus on retailers to expand their online offerings.
- ▲ **Increased Focus on eOne Content:** Hasbro continues to focus on adapting plans to deliver robust line-up of entertainment and innovation from E1 and its partners in 2021. Notably, on the content side, E1 production is gradually recovering through a new animated series on Netflix and Alien TV. The team also continues to develop and produce new content for Peppa Pig, PJ Mask and the My Little Pony 2021 feature film. Apart from this, the company had completed production on 59 series across scripted and unscripted television and five feature films. With live-action TV and film production limited, cash spend in 2020 came in at \$439 million. Going forward, the company plans to resume productions in compliance with COVID-19 protocols. Notably cash spend on content across scripted and unscripted live action, animated TV, and film is estimated to be in the range of \$675 million to \$750 million for 2021. Although scope for near-term theatrical releases remains uncertain, the company is optimistic about opportunities stemming from viewership and merchandise.
- ▲ **Gaming Category to Drive Growth:** Hasbro is witnessing strong gaming demand during the coronavirus pandemic. Hasbro has a supreme gaming portfolio, and it is refining gaming experiences across a multitude of platforms like face-to-face gaming, off-the-board gaming and digital gaming experiences in mobile. Given a strong product lineup and a greater focus on entertainment backed products, Hasbro's Entertainment and Licensing segment is poised for growth. The company stated that it is currently investing in longer-term larger game play. The company's gaming category, which includes MAGIC: THE GATHERING tabletop, MONOPOLY, DUNGEONS AND DRAGONS and many other Hasbro games such as THE GAME OF LIFE, JENGA, CONNECT 4 and OPERATION, is performing well. During the fourth quarter, the company not only witnessed solid momentum in in the toy and game market but also recorded fastest point-of-sale growth on Amazon in the U.S. and top European markets.
- ▲ **Rapid Growth in Emerging Markets:** In addition to growing brands and leveraging opportunistic toy lines and licenses, the company seeks to grow its international business by expanding into emerging markets in Eastern Europe, Asia and Latin and South America. Emerging markets offer greater opportunities for revenue growth than developed markets and have been contributing to a significant share of Hasbro's revenues, given its investments in advertising and other brand-building efforts. During fourth-quarter 2020, markets in Europe, North America and Australia witnessed solid growth. Over the next few years, Hasbro anticipates emerging markets to grow in double digits backed by innovation in products, entertainment and market share gains. Moreover, the company reinforced its five-year plan (2018 to 2023-24) to double its Wizards business.
- ▲ **Leveraging the Power of Television:** The company continues to increase its brand awareness through television. Hasbro Studio is responsible for the creation and development of storytelling based on Hasbro's brands, across mediums including television, film and digital shorts. Moreover, the company recently aired a TV series on CCTV, on a Chinese Television platform. Hasbro has 40% interest in a joint venture with Discovery Communications called the Discovery Family Channel (formerly known as 'The Hub Network'). This network offers high-quality children's shows as well as family entertainment and educational programs. The deal has been contributing meaningfully to Hasbro's revenues for quite a while now. In first-quarter 2020, the company completed the acquisition of Entertainment One Ltd., which will lead company-wide entertainment content efforts. The segment focuses on development of potential Hasbro brands for television and film.
- ▲ **Enough Liquidity to Tide Over Coronavirus Crisis:** Hasbro has enough liquidity to survive the pandemic scenario for some time. As of Dec 27, the company's cash balance totaled nearly \$1,449.7 million compared with \$1,132.4 million as on Sep 27, 2020. At the end of the fourth quarter 2020, company's long-term debt stood at approximately \$4,660 million, compared with \$4,777.8 million in the previous quarter. Notably, debt-to-capital ratio at the end of fourth quarter came in at 0.6 (almost flat sequentially), indicating manageable debt levels.

New products and strategic partnerships, major theatrical releases, along with increased focus on gaming bode well

Reasons To Sell:

- ▼ **Likely Impact of Coronavirus Pandemic:** The company anticipates the coronavirus pandemic to continue hurting every aspect of business from shipments to brick-and-mortar sales to delivery of content in order to meet demand. This along with temporary store closures, product shortages, lower retail inventories, supply chain disruption, limited live-action productions and changing theatrical release schedules are likely to hurt results going forward.
- ▼ **Dismal International Sales:** Dismal international sales remain a concern for the company. During the fourth quarter, International segment's revenues amounted to \$561.8 million, which declined 9% year over year. The segment's adjusted operating margin came in at 5.4% compared with 9.1% in the year-ago quarter. The segment's results in the quarter were impacted by dismal performance of Asia Pacific and Latin American region. However, revenues in the European regions remained flat.
- ▼ **Higher Costs to Hurt Profits:** Hasbro's initiatives including product launches and shift toward more technology-driven toys for reviving its brands and boosting sales would aid profits in the long term. Costs related to those initiatives might prove detrimental to the company in the near term. During the fourth quarter, selling, distribution and administration expenses — as a percentage of net revenues — were 21.3% compared with 20.2% in the prior-year quarter.
- ▼ **Traditional Toys and Age Compression Mar the Top Line:** Toy manufacturers have to battle a broad array of alternative modes of entertainment including video games, MP3 players, tablets, smartphones and other electronic devices. Hasbro's revenues have been under some pressure over the past few quarters due to lower demand for games as children are opting for electronic versions of games on smartphones and tablets.

Another factor affecting demand for these brands is age compression. Kids are growing up and moving on much faster than they used to and also get bored easily. For instance, demand for some toys that were preferred by kids aged 3 to 9 years previously has narrowed down to the band of 3 to 6 years. This is tapering the demand for toys, thereby hurting revenues.

The coronavirus related woes and higher costs remain Hasbro's concerns.

Last Earnings Report

Hasbro Q4 Earnings and Revenues Beat Estimates, Rise Y/Y

Hasbro reported solid fourth-quarter fiscal 2020 results, with earnings and revenues surpassing the Zacks Consensus Estimate as well as increasing year over year.

The company reported adjusted earnings of \$1.27 per share, which beat the Zacks Consensus Estimate of \$1.14. In the prior-year quarter, the company had reported adjusted pro forma net earnings of 90 cents per share.

In the quarter under review, net revenues were \$1,723 million that outpaced the consensus mark of \$1,695 million. Moreover, the top line rose 4% on a year-over-year basis.

Notably, the company's results in the quarter benefited from innovative product line, cost-saving efforts as well as growth in toys, games and digital. Further, Hasbro resumed its TV and Film productions.

Brand Performances (On Pro Forma Basis)

During the fiscal fourth quarter, the Franchise Brand reported revenues of \$705.2 million, up 7% year over year. The improvement was backed by growth in MAGIC: THE GATHERING, MONOPOLY, NERF and Hasbro Gaming.

During the quarter, Partner Brands' revenues declined 14% year over year to \$349.6 million. Revenues at Hasbro Gaming amounted to \$298.5 million, up 21% from the prior-year quarter's levels. Moreover, its total gaming category revenues rallied 27% year over year to \$561.2 million.

Emerging Brands' revenues during the fiscal fourth quarter slipped 7% year over year to \$155.3 million. However, revenues from TV/Film/Entertainment increased 20% year over year to \$214.5 million.

Segmental Revenues (On Pro Forma Basis)

During the fiscal fourth quarter, net revenues in the U.S. and Canada segments rose 16% year over year to \$790.6 million. Moreover, adjusted operating margin increased to 22.9% from the prior-year quarter's figure of 14.9%. The segment benefited from increase in Franchise Brands, led by MAGIC: THE GATHERING. Robust Emerging Brands and Hasbro Gaming performance also contributed to the segment's results.

During the quarter, the International segment's revenues amounted to \$561.8 million, declining 9% year over year. The segment's adjusted operating margin came in at 5.4% compared with 9.1% in the year-ago quarter. The segment's results in the quarter were impacted by dismal performance of Asia Pacific and Latin American region. However, revenues in the European regions remained flat.

Meanwhile, revenues in the Entertainment, Licensing and Digital segment — which was previously called Entertainment and Licensing — fell 15% year over year to \$111 million. Moreover, the segment's adjusted operating margin dropped to 24.5% from the prior-year quarter's figure of 28.5%.

In the fiscal fourth-quarter, the eOne segment reported revenues of \$259.6 million, up 10% year over year. Notably, resumption of TV and Film production post coronavirus-induced shutdowns benefitted the company. Moreover, the segment's adjusted operating margin came in at (5.5%) compared with (30.4%) in the prior-year quarter.

Operating Highlights

During fiscal fourth quarter, Hasbro's cost of sales (as a percentage of net revenues), declined to 34.4% from 40.4% in the prior-year quarter. Selling, distribution and administration expenses — as a percentage of net revenues — were 21.3% compared with 20.2% in the prior-year quarter.

Balance Sheet

Cash and cash equivalents as of Dec 27, 2020 were \$1,449.7 million, down from \$4,580.4 million on Dec 29, 2019. At the end of the reported quarter, inventories totaled \$395.6 million compared with \$446.1 million in the year-ago period. As of Dec 27, 2020, long-term debt increased to \$4,660 million from \$4,046.5 million from Dec 29, 2019.

The company's board of directors announced a dividend of 68 cents per common share. The dividend is payable on May 17, 2021, to shareholders of record at the close of business as of May 3.

2020 Highlights

Net revenues in 2020 came in at \$5,465.4 million compared with \$5,936 million in 2019. Operating profit in 2020 came in at \$501.8 million compared with \$689.8 million in 2019. In 2020, adjusted diluted earnings per share came in at \$3.74 compared with \$3.94 in the previous year.

Quarter Ending 12/2020

Report Date	Feb 08, 2021
Sales Surprise	1.65%
EPS Surprise	11.40%
Quarterly EPS	1.27
Annual EPS (TTM)	3.74

Valuation

Hasbro's shares are up 23.8% in the past six-month period and 44.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Construction sector are up 14.2% and 25.1% in the past six-month period, respectively. Over the past year, the Zacks sub-industry and sector are up 43.8% and 45.9%, respectively.

The S&P 500 index is up 16.2% in the past six-month period and 35.8% in the past year.

The stock is currently trading at 22.09X forward 12-month earnings, which compares to 26.49X for the Zacks sub-industry, 34.07X for the Zacks sector and 22.11X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.73X and as low as 10.35X, with a 5-year median of 19.36X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$102 price target reflects 23.18X forward 12-month earnings.

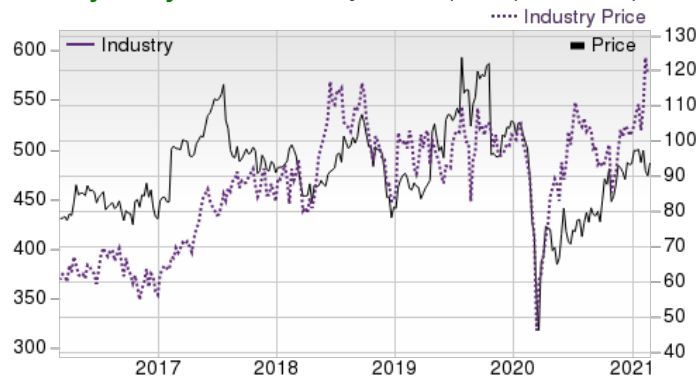
The table below shows summary valuation data for HAS.

Valuation Multiples - HAS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.09	26.49	34.07	22.11
	5-Year High	27.73	31.5	35.24	23.8
	5-Year Low	10.35	19.51	16.19	15.3
	5-Year Median	19.36	26.42	20.22	17.9
P/S F12M	Current	2.16	5.97	2.95	4.48
	5-Year High	3.11	6.3	2.95	4.48
	5-Year Low	0.97	3.5	1.7	3.21
	5-Year Median	2.16	5.05	2.49	3.69
P/B TTM	Current	4.54	4.59	3.63	6.51
	5-Year High	9.27	6.64	4.85	6.66
	5-Year Low	1.89	3.11	2.24	3.83
	5-Year Median	6.37	4.34	4.11	4.97

As of 03/08/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 29% (73 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
TakeTwo Interactive Software, Inc. (TTWO)	Outperform	2
Activision Blizzard, Inc. (ATVI)	Neutral	3
Electronic Arts Inc. (EA)	Neutral	3
International Game Technology (IGT)	Neutral	4
JAKKS Pacific, Inc. (JAKK)	Neutral	2
Mattel, Inc. (MAT)	Neutral	2
Nintendo Co. (NTDOY)	Neutral	3
Glu Mobile Inc. (GLUU)	Underperform	4

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

Industry Comparison Industry: Toys - Games - Hobbies				Industry Peers		
	HAS	X Industry	S&P 500	EA	MAT	TTWO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Outperform
Zacks Rank (Short Term)	3	-	-	3	2	2
VGM Score	C	-	-	B	A	C
Market Cap	13.36 B	13.36 B	27.55 B	36.59 B	7.13 B	18.62 B
# of Analysts	7	7	13	13	5	22
Dividend Yield	2.80%	0.00%	1.36%	0.53%	0.00%	0.00%
Value Score	B	-	-	C	B	F
Cash/Price	0.11	0.17	0.06	0.18	0.11	0.16
EV/EBITDA	13.29	16.87	15.74	18.26	15.85	22.20
PEG F1	2.13	1.63	2.32	1.86	NA	2.12
P/B	4.54	4.59	3.87	4.63	11.96	5.90
P/CF	10.77	23.44	15.96	23.70	18.33	28.05
P/E F1	22.72	23.00	20.75	22.89	27.25	26.25
P/S TTM	2.44	4.28	3.29	6.45	1.56	5.65
Earnings Yield	4.39%	4.23%	4.71%	4.37%	3.66%	3.81%
Debt/Equity	1.59	0.05	0.67	0.05	4.79	0.00
Cash Flow (\$/share)	9.04	2.34	6.78	5.37	1.12	5.76
Growth Score	B	-	-	A	A	B
Historical EPS Growth (3-5 Years)	-2.14%	13.13%	9.34%	12.31%	NA	43.98%
Projected EPS Growth (F1/F0)	14.25%	59.29%	14.41%	-2.82%	39.26%	11.33%
Current Cash Flow Growth	56.52%	29.56%	0.74%	15.43%	181.47%	-8.18%
Historical Cash Flow Growth (3-5 Years)	14.01%	12.57%	7.37%	7.26%	-10.98%	12.57%
Current Ratio	1.60	2.21	1.39	2.21	1.83	1.78
Debt/Capital	61.47%	4.75%	41.42%	4.75%	82.72%	0.00%
Net Margin	4.07%	9.52%	10.59%	20.79%	2.76%	14.96%
Return on Equity	18.46%	18.46%	14.75%	18.34%	61.88%	24.45%
Sales/Assets	0.52	0.70	0.51	0.49	0.88	0.60
Projected Sales Growth (F1/F0)	11.79%	10.59%	6.93%	15.70%	5.23%	14.46%
Momentum Score	F	-	-	C	B	A
Daily Price Change	2.64%	0.00%	0.98%	-4.06%	-1.30%	-5.38%
1-Week Price Change	1.15%	-2.10%	2.46%	-1.02%	2.77%	-7.40%
4-Week Price Change	4.44%	-11.27%	2.20%	-10.71%	11.00%	-24.24%
12-Week Price Change	7.97%	29.52%	7.91%	-7.51%	25.40%	-17.20%
52-Week Price Change	46.90%	68.95%	41.93%	26.04%	100.49%	41.92%
20-Day Average Volume (Shares)	963,179	756,538	2,120,225	2,553,195	3,303,723	1,637,639
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-3.17%	0.95%	0.00%	0.00%	44.06%	14.60%
EPS F1 Estimate 12-Week Change	-1.87%	4.30%	2.11%	4.33%	52.85%	14.79%
EPS Q1 Estimate Monthly Change	-10.34%	0.00%	0.00%	0.00%	20.49%	200.51%

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	B
Momentum Score	F
VGM Score	C

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

Disclosures

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

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 forward-looking 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 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.