

Hanesbrands Inc. (HBI)

\$19.36 (As of 05/20/21)

Price Target (6-12 Months): **\$21.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/10/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: A

Momentum: D

Summary

Shares of Hanesbrands have outperformed the industry in the past six months. The company has been gaining on strong online sales amid the pandemic. Also, the company's Champion brand is growing on solid consumer demand. This was reflected in first-quarter 2021 results, with sales and earnings beating the consensus mark as well as increasing year over year. The company is poised to benefit from its Full Potential plan, which includes growing global Champion, reigniting innerwear growth, driving consumer-centricity and focusing on portfolio. However, inflation and higher brand investments are likely to put pressure on second-quarter results. Also, its Activewear unit continued to bear the brunt of pandemic-led hurdles. Notably, sports and college licensing business remained challenged by campus shutdowns and restrictions on sports attendance.

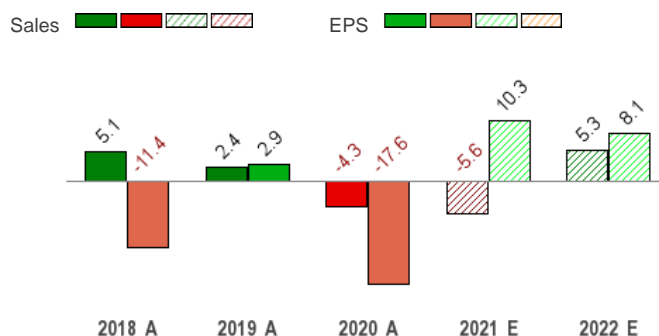
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$22.82 - \$9.45
20-Day Average Volume (Shares)	5,958,266
Market Cap	\$6.8 B
Year-To-Date Price Change	32.8%
Beta	1.53
Dividend / Dividend Yield	\$0.60 / 3.1%
Industry	Textile - Apparel
Zacks Industry Rank	Top 17% (42 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	50.0%
Last Sales Surprise	0.7%
EPS F1 Estimate 4-Week Change	-2.8%
Expected Report Date	07/29/2021
Earnings ESP	0.0%

P/E TTM	10.8
P/E F1	12.1
PEG F1	4.0
P/S TTM	1.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022					6,625 E
2021	1,508 A	1,617 E	1,662 E	1,606 E	6,294 E
2020	1,316 A	1,739 A	1,808 A	1,801 A	6,664 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022					\$1.73 E
2021	\$0.39 A	\$0.39 E	\$0.38 E	\$0.41 E	\$1.60 E
2020	\$0.05 A	\$0.60 A	\$0.42 A	\$0.38 A	\$1.45 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 05/20/2021. The report's text and the analyst-provided price target are as of 05/21/2021.

Overview

Headquartered in Winston-Salem, NC, Hanesbrands Inc. engages in the design, manufacture, sourcing and sale of apparel essentials for men, women and children in the U.S. and internationally. The company offers products under well-established brands such as Hanes, Champion, Playtex, Bali, Just My Size, Barely There and Wonderbra.

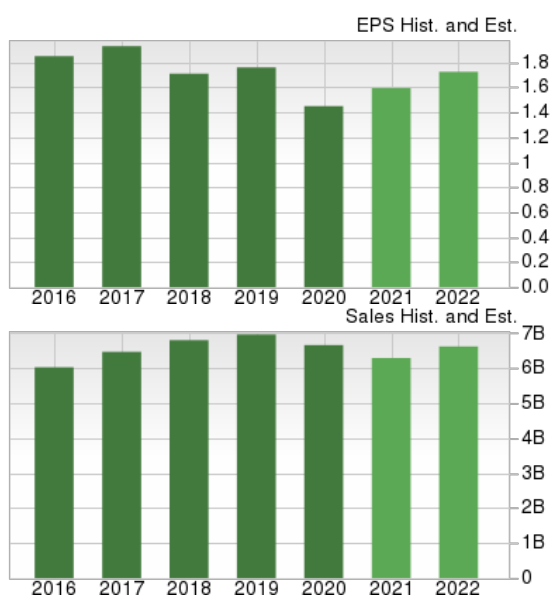
In the first-quarter 2017, management realigned its reporting segments. Now, Hanesbrands' U.S. retail Internet operations are reported in the respective Innerwear and Activewear divisions. Hanesbrands reports its operating results under the following segments:

Innerwear segment (44.5% of 2020 sales): This segment manufactures and sells core apparel products, such as women's intimate apparel, men's underwear, kids' underwear and socks, marketed under well-known brands like Hanes, Bali, Playtex, Barely There, Just My Size and Wonderbra. Innerwear segment also includes the Hosiery segment, which makes women's sheer hosiery in the United States.

Activewear segment (18% of 2020 sales): The segment consists of casual wear and active wear products. The casual product category provides comfortable clothing for men, women and children under the Hanes and Just My Size brands. The active wear products include T-shirts and fleece sold to both retailers and wholesalers. The company sells this segment's products to both retailers and wholesalers.

International segment (34.5% of 2020 sales): The International segment includes sales from Latin America, Asia, Canada, Australia, Japan, Mexico and Brazil. The company also has sales offices in India and China. The segment produces and sells products under brands such as Hanes, Champion, Wonderbra, Playtex, Stedman, Zorba, Rinbros, Kendall, Soly Oro, Ritmo and Track N Field.

Other (3% of 2020 sales): The Other category comprises the U.S. businesses for outlet stores, hosiery (earlier reported in the Innerwear division), along with legacy catalog business.



Reasons To Buy:

- ▲ **Impressive Q1 Results & Outlook:** Shares of Hanesbrands have rallied 38.2% in the past six months, compared with the industry's growth of 10.5%. The company reported impressive first-quarter 2021 results, with the top and the bottom line increasing year over year. Further, earnings and sales surpassed the Zacks Consensus Estimate. Notably, adjusted earnings of 39 cents a share increased from 7 cents reported in the year-ago quarter. Moreover, net sales rallied 25.3% while total constant currency (cc) net sales increased 22%. Incidentally, Hanesbrands delivered double-digit growth in both global innerwear and activewear businesses on the back of strong point-of-sale performance across all key channels. Also, the company benefited from market share gains across major categories. Strong online sales amid the pandemic contributed to the upside. The company's champion brand remained solid owing to strong consumer demand. Also, it gained market share in U.S. Innerwear. Favorable year-over-year comparison owing to initial pandemic shutdowns in the year-ago quarter and specific one-time contributions also contributed to the quarterly results.

Hanesbrands is on track with its Full Potential plan, which includes grow global Champion, re-ignite innerwear growth, drive consumer-centricity and focus in the portfolio.

For the second quarter of 2021, net sales are anticipated in the range of \$1.56-\$1.59 billion. The midpoint of the guidance suggests net sales increase of nearly 2% year over year and includes an expected gain of roughly \$35 million from favorable currency movements. Excluding PPE, net sales at the midpoint are likely to surge 69% year over year. Also, adjusted earnings per share are envisioned in the band of 37-40 cents in the second quarter. For 2021, net sales are anticipated in the range of \$6.2-\$6.3 billion, including nearly \$100-million benefits from favorable currency rates. The midpoint of the guidance indicates net sales advancement of nearly 2% year over year. Also, adjusted earnings per share are envisioned in the band of \$1.51-\$1.59 in 2021.

- ▲ **Full Potential Plan in Action:** Recently, the company unveiled Full Potential, a three-year growth plan aimed at achieving nearly \$1.2 billion additional revenues and expand operating margins to 14.3% by 2024. The plan is designed on four pillars namely grow global Champion, re-ignite innerwear growth, drive consumer-centricity and focus the portfolio. To this end, the company expects Champion to become a global brand worth \$3 billion by 2024, reflecting a 14% compound annual growth rate (CAGR) compared with 2021 projected sales figure. The company expects to achieve this objective by forming deeper connections with consumers, undertaking impressive innovations, growing presence in key geographies along with expanding online channels including Champion.com.

Further, management anticipates global innerwear revenue growth of nearly \$200 million by 2024, led by sales in the United States and Australia. The company expects to drive global Innerwear growth by using new capabilities in global design, robust innovations and an enhanced contemporary voice. Through its consumer-centricity objective, the company expects to drive growth by presenting innovative products, increasing awareness via higher brand marketing as well as making strategic investments in digital capabilities including online marketing and advanced analytics. Lastly, focus in the portfolio pillar will help Hanesbrands in simplifying its business. To this end, the company unveiled plans to explore strategic alternatives for its European innerwear business. Also, it has reduced SKUs to further simplify business. Well, the company is focusing on achieving its objectives of Full Potential plan through well chalked-out initiatives like supply chain segmentation and technology modernization among others.

Incidentally, the company expects revenue to increase from midpoint of its 2021 guidance of \$6.25 billion to nearly \$7.4 billion by 2024. The projection reflects an additional \$1.15 billion in revenues (or 6% CAGR growth). Further, operating margin is likely to expand 100 basis points (bps) to nearly 14.3% by 2024 compared with the midpoint of 2021 guidance of 13.3%.

- ▲ **Strong Online Business:** Hanesbrands is focused on making incremental investments in its online business to keep pace with consumers' evolving shopping patterns especially as the coronavirus pandemic has increased digital shopping penetration. During the first quarter of 2021, Hanesbrands' online channel registered 82% growth. The company's online sales were impressive in full-year 2020, courtesy of its own site as well as third-party suppliers. Management continues to see momentum in this business. Incidentally, driving e-commerce excellence is also a core part of the company's Full Potential plan. The company is making moves to create e-commerce excellence across all online channels. To this end, it is using data analytics to understand consumers better; enhancing performance marketing to help consumers find products easily and experience and creating a frictionless online shopping experience on its own as well as retail partner sites. In its first-quarter earnings call, management highlighted that it plans to improve its online platform which includes champion.com. The company expects to grow online business with solid focus on consumer, innovation and brand development. The company is on track to make investments in technology, data science and core digital capabilities to deliver growth in traditional and online retail partners as well as owned and partner retail stores in key markets along with its owned e-commerce sites.

- ▲ **Financial Analysis:** For the quarter ended Apr 3, 2021 the company generated \$16.9 million as net cash from operating activities. Along with its first-quarter earnings release, management declared a quarterly cash dividend of 15 cents per share, which is payable on Jun 1, 2021. This marks the company's 33rd straight quarterly return of cash to shareholders. Hanesbrands paid out quarterly dividends worth \$1.4 billion since the program began in April 2013. Incidentally, Hanesbrands has a dividend payout ratio of 33.5%, a dividend yield of 3.1% and a free cash flow yield of 7.4%. Hanesbrands long-term debt of \$3,650 million as of Apr 3, 2021, reflected a decline of 2.4% on a sequential basis. The company's cash and cash equivalents stood at \$530 million at the end of the first quarter, while the current portion of long-term debt stood at \$34 million.

Reasons To Sell:

- ▼ **Margin Pressure:** Although Hanesbrands' adjusted operating margin expanded in the first quarter of 2021, management expects the metric to decline year over year in the second quarter. Notably, adjusted operating profit is likely to be in the range of \$200-\$210 million in the second quarter. At the midpoint, this indicates an operating margin of 13% compared with 15.2% in the year-ago period. The anticipated margin contraction is likely to come due to inflation and higher brand investment.
- ▼ **Competitive Pressure:** Hanesbrands operates in a highly competitive textile and apparel market with a number of well-known players such as Ralph Lauren, Columbia Sportswear, GIII Apparel and Guess? to name a few. The company primarily competes on the basis of fashion, quality and service. Failure to offer high-quality distinguished products at a competitive price may hamper Hanesbrands' market share, resulting in lower earnings and sales.
- ▼ **Hurdles in Activewear Unit:** While sales in the Activewear segment jumped 26% year over year, it continued to bear the brunt of pandemic-led hurdles in the first quarter. Notably, the company's sports and college licensing business remained challenged by campus shutdowns and restrictions on sports attendance amid the pandemic. Persistence of the trend may exert pressure on the segment's performance.

Inflation and higher brand investments are likely to put pressure on Hanesbrands' second-quarter 2021 performance. Also, its Activewear unit is bearing the brunt of pandemic-led hurdles.

Last Earnings Report

Hanesbrands Q1 Earnings Beat Estimates, Sales Grow Y/Y

Hanesbrands reported first-quarter 2021 adjusted earnings of 39 cents a share that surpassed the Zacks Consensus Estimate of 26 cents. Also, the metric increased from 7 cents reported in the year-ago quarter.

Net sales rallied 25.3% to \$1,508 million and outpaced the Zacks Consensus Estimate of \$1,498 million. Further, total constant currency (cc) net sales increased 22%. Hanesbrands delivered double-digit growth in both global innerwear and activewear businesses on the back of strong point-of-sale performance in all key channels. Notably, online channel registered 82% growth.

Also, the company benefited from market share gains across major categories. Apart from these, favorable year-over-year comparison owing to initial pandemic shutdowns in the year-ago quarter and specific one-time contributions also led to the upside. The company's champion brand remained solid owing to strong consumer demand. Also, the company gained market share in U.S. Innerwear.

Adjusted gross margin of 40.2% expanded 360 basis points (bps). Leverage from higher sales volume, favorable product mix, positive impacts from currency translations and gains from SKU reduction efforts among others contributed to the upside. However, these were somewhat negated by increased transportation costs.

Moving on, adjusted operating profit of \$210 million increased significantly from \$72 million reported in the year-ago quarter. Further, adjusted operating margin expanded 790 bps to 13.9% owing to solid gross margin performance and SG&A leverage from increased sales. These were fully offset by higher brand marketing investments.

Segment Details

Innerwear: Sales in the U.S. Innerwear segment of \$570 million increased 35% year over year driven by point-of-sale growth and market share gains. Also, the overlap of the initial COVID-19-led closures and specific one-time benefits were a driver. Further, basics revenues surged 39% while intimates revenue jumped 27% in the segment.

Activewear: Sales in the U.S. Activewear segment surged 26% to \$364 million on the back of online growth, including Champion.com as well as pure play and retail partner sites. Also, robust performance in wholesale brick and mortar channels as well as the overlap of the initial pandemic shutdown and benefits from government stimulus aided growth. Notably, Champion sales increased 34%, while revenues from the company's other activewear brands increased 16%. That said, the company's sports and college licensing business remained challenged by campus shutdowns and restrictions on sports attendance amid the pandemic.

International: Revenue in the International business increased 18%. On a cc basis, sales increased 8%. During the quarter, the company witnessed sales growth in the Americas, Australia and Europe on a cc basis. However, the metric was down in Asia Pacific region owing to pandemic-led hurdles in Japan.

Other Financial Details

Hanesbrands ended the quarter with cash and cash equivalents of \$530.4 million, long-term debt of \$3,649.6 million and total stockholders' equity of \$484.5 million. For quarter ended Apr 3, 2021 the company generated \$16.9 million as net cash from operating activities.

Additionally, management declared a quarterly cash dividend of 15 cents per share, which is payable on Jun 1, 2021, to shareholders of record as of May 21. This marks the company's 33rd straight quarterly return of cash to shareholders. Hanesbrands has paid out quarterly dividends worth \$1.4 billion since the program began in April 2013.

Guidance

For the second quarter of 2021, net sales are anticipated in the range of \$1.56-\$1.59 billion. The midpoint of the guidance represents net sales advancement of nearly 2% year over year and includes an expected gain of roughly \$35 million from favorable currency movements. Excluding PPE, net sales at the midpoint are likely to surge 69% year over year. Adjusted operating profit is likely to be in the range of \$200-\$210 million in the quarter. At the midpoint, this indicates an operating margin of 13% compared with 15.2% in the year-ago period. The anticipated margin contraction is likely to come due to inflation and higher brand investment. Also, adjusted earnings per share are envisioned in a band of 37-40 cents in the second quarter.

For 2021, net sales are anticipated in the range of \$6.2-\$6.3 billion, including nearly \$100 million benefits from favorable currency rates. The midpoint of the guidance represents net sales advancement of nearly 2% year over year. Adjusted operating profit is likely to be in the range of \$815-\$845 million in 2021. At the midpoint, this indicates an operating margin of 13.3% compared with 12.7% in the year-ago period. Also, adjusted earnings per share are envisioned in a band of \$1.51-\$1.59 in 2021.

Quarter Ending 03/2021

Report Date	May 11, 2021
Sales Surprise	0.67%
EPS Surprise	50.00%
Quarterly EPS	0.39
Annual EPS (TTM)	1.79

Valuation

Hanesbrands shares are up 32.8% in the year-to-date period and 101.9% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 7.7% and the Zacks Consumer Discretionary sector declined 2.7% in the year-to-date period. Over the past year, the Zacks sub-industry is up 68.1% while the sector gained 34.7%.

The S&P 500 index is up 10.1% in the year-to-date period and 41.1% in the past year.

The stock is currently trading at 11.83X forward 12-month earnings, which compares to 22.21X for the Zacks sub-industry, 30.3X for the Zacks sector and 21.74X for the S&P 500 index.

Over the past five years, the stock has traded as high as 13.92X and as low as 4.75X, with a 5-year median of 10.17X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$21 price target reflects 12.81X forward 12-month earnings.

The table below shows summary valuation data for HBI

Valuation Multiples - HBI					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	11.83	22.21	30.3	21.74
	5-Year High	13.92	29.29	35.41	23.83
	5-Year Low	4.75	13.28	16.24	15.3
	5-Year Median	10.17	18.13	20.33	18.02
P/S F12M	Current	1.05	2.82	2.67	4.62
	5-Year High	1.78	3	2.94	4.74
	5-Year Low	0.39	1.45	1.73	3.21
	5-Year Median	0.96	2.1	2.52	3.71
EV/EBITDA F12M	Current	9.97	19.84	13.56	15.81
	5-Year High	12.28	28.16	14.34	16.53
	5-Year Low	5.68	9.89	8.12	10.79
	5-Year Median	9.55	15.05	11.09	13.54

As of 05/20/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 17% (42 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Columbia Sportswear Company (COLM)	Outperform	1
Ralph Lauren Corporation (RL)	Outperform	2
lululemon athletica inc. (LULU)	Neutral	4
PVH Corp. (PVH)	Neutral	4
Teijin Ltd. (TINLY)	Neutral	3
Under Armour, Inc. (UA)	Neutral	NA
Under Armour, Inc. (UAA)	Neutral	2
V.F. Corporation (VFC)	Neutral	3

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

Industry Comparison Industry: Textile - Apparel				Industry Peers		
	HBI	X Industry	S&P 500	COLM	GIII	UAA
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	1	2	2
VGM Score	B	-	-	C	A	F
Market Cap	6.76 B	1.55 B	30.13 B	6.86 B	1.56 B	9.91 B
# of Analysts	6	4	12	5	6	13
Dividend Yield	3.10%	0.00%	1.29%	1.01%	0.00%	0.00%
Value Score	B	-	-	D	A	F
Cash/Price	0.08	0.11	0.05	0.12	0.22	0.13
EV/EBITDA	77.55	13.19	17.33	20.91	13.75	-35.69
PEG F1	4.05	1.43	2.18	0.75	1.19	2.18
P/B	13.95	3.55	4.14	3.67	1.17	5.60
P/CF	10.31	19.06	17.39	26.84	20.73	173.50
P/E F1	12.14	18.47	21.81	24.07	13.77	70.32
P/S TTM	0.99	0.98	3.53	2.68	0.76	2.06
Earnings Yield	8.26%	5.34%	4.50%	4.16%	7.26%	1.43%
Debt/Equity	7.53	0.57	0.66	0.00	0.38	0.57
Cash Flow (\$/share)	1.88	1.55	6.82	3.85	1.55	0.13
Growth Score	A	-	-	A	B	F
Historical EPS Growth (3-5 Years)	-3.22%	-9.37%	9.39%	0.39%	0.55%	-16.60%
Projected EPS Growth (F1/F0)	10.00%	109.77%	20.15%	164.69%	224.76%	218.64%
Current Cash Flow Growth	-16.36%	-31.92%	0.74%	-42.75%	-61.45%	-83.39%
Historical Cash Flow Growth (3-5 Years)	-3.44%	-4.88%	7.37%	1.98%	-11.55%	-29.79%
Current Ratio	1.64	2.02	1.39	3.80	3.34	2.56
Debt/Capital	88.28%	36.33%	41.58%	0.00%	27.58%	36.33%
Net Margin	-4.83%	0.64%	11.70%	6.40%	1.15%	2.46%
Return on Equity	71.51%	4.89%	16.06%	9.25%	2.85%	6.70%
Sales/Assets	0.89	0.93	0.50	0.94	0.82	0.97
Projected Sales Growth (F1/F0)	-5.56%	17.92%	9.14%	21.99%	23.24%	17.92%
Momentum Score	D	-	-	F	C	A
Daily Price Change	-0.15%	0.00%	0.69%	0.12%	-3.36%	-1.05%
1-Week Price Change	-14.26%	0.00%	-0.87%	-2.26%	-4.87%	-6.91%
4-Week Price Change	-6.20%	0.00%	1.58%	-7.76%	-0.09%	-4.37%
12-Week Price Change	9.01%	7.52%	10.52%	-1.97%	10.40%	0.46%
52-Week Price Change	97.35%	100.72%	46.94%	47.44%	217.03%	149.88%
20-Day Average Volume (Shares)	5,958,266	50,876	1,929,084	426,580	365,873	5,590,928
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.43%	0.00%
EPS F1 Estimate 4-Week Change	-2.77%	1.01%	1.84%	5.05%	0.43%	75.91%
EPS F1 Estimate 12-Week Change	-2.77%	4.43%	2.57%	7.20%	4.86%	79.17%
EPS Q1 Estimate Monthly Change	0.64%	0.64%	0.94%	50.19%	9.68%	129.71%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	B
Growth Score	A
Momentum Score	D
VGM Score	B

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

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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.

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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.