

Hill-Rom Holdings (HRC)

\$87.58 (As of 11/04/20)

Price Target (6-12 Months): **\$76.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform
(Since: 10/02/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5) **5-Strong Sell**

Zacks Style Scores: VGM:A

Value: B | Growth: A | Momentum: A

Summary

The pandemic-led business disruptions hurt Hill-Rom's domestic sales in the third-quarter of fiscal 2020. Sales in Surgical Solutions fell significantly due to project delays. Hill-Rom's decision to not provide any guidance for 2020 is concerning. Over the past six months, it has underperformed its industry. Yet, Hill-Rom's strength in majority of segments and geographies boosted its international growth in the third-quarter. The pandemic-led surge in product demand and product launches look impressive. Expansion of both margins buoys optimism. Partnerships and buyouts bode well. Long-term growth plans and M&A pipeline boost optimism. Focus on expansion via product innovation, strong solvency with high leverage and progress in Digital Health are other positives. Hill-Rom's third-quarter results were better-than-expected.

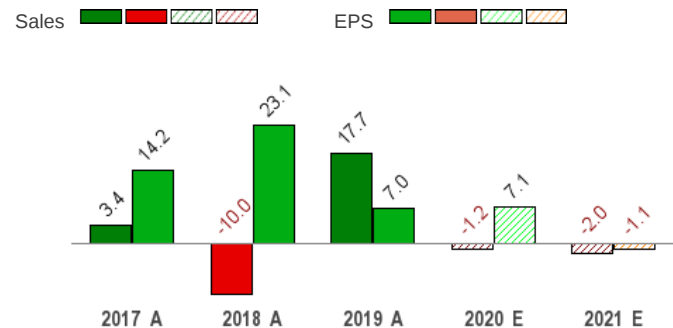
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$117.68 - \$72.29
20-Day Average Volume (Shares)	485,057
Market Cap	\$5.8 B
Year-To-Date Price Change	-22.9%
Beta	0.62
Dividend / Dividend Yield	\$0.88 / 1.0%
Industry	Medical - Products
Zacks Industry Rank	Bottom 34% (164 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	35.4%
Last Sales Surprise	4.0%
EPS F1 Estimate 4-Week Change	-1.4%
Expected Report Date	11/06/2020
Earnings ESP	2.8%
P/E TTM	14.5
P/E F1	16.3
PEG F1	2.8
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	648 E	698 E	708 E	761 E	2,813 E
2020	685 A	723 A	768 A	697 E	2,871 E
2019	684 A	714 A	727 A	783 A	2,907 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.02 E	\$1.34 E	\$1.45 E	\$1.63 E	\$5.38 E
2020	\$1.13 A	\$1.28 A	\$1.95 A	\$1.08 E	\$5.44 E
2019	\$1.02 A	\$1.14 A	\$1.23 A	\$1.69 A	\$5.08 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 11/04/2020. The reports text is as of 11/05/2020.

Overview

Headquartered in Batesville, IN, Hill-Rom Holdings, Inc. is one of the leading global medical device companies. The company partners with health care providers in more than 100 countries by focusing on patient care solutions that improve clinical and economic outcomes in five core areas: Advancing Mobility, Wound Care and Prevention, Clinical Workflow, Surgical Safety and Efficiency, and Respiratory Health.

The company recently restructured its reporting segments and currently operates its business through three segments:

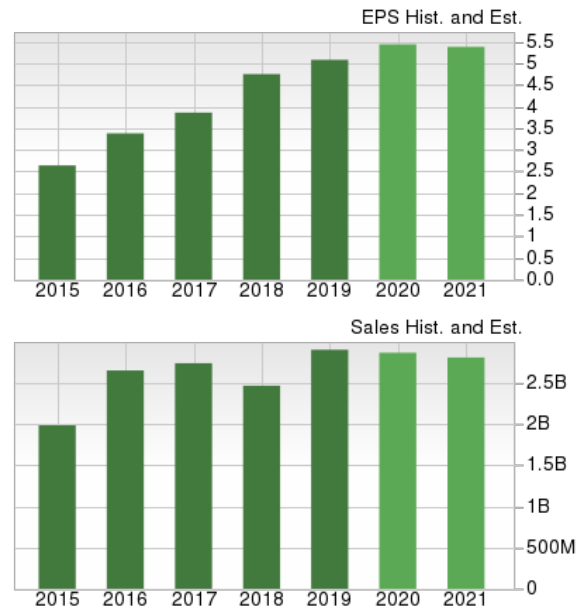
Patient Support Systems – This business (51.3% of fiscal 2019 revenues; up 5.4% at CER from fiscal 2018) globally provides specialty bed frames and surfaces and mobility solutions, as well as clinical workflow solutions which specializes in software and information technologies to improve care and deliver actionable insight to caregivers and patients.

Front Line Care – This segment (33.6%; up 2.9%) globally provides respiratory care products, and sells medical diagnostic monitoring equipment and a diversified portfolio of physical assessment tools that assess, diagnose, treat, and manage a wide variety of illnesses and diseases.

Surgical Solutions – This business (15.1%; up 2%) globally provides products that improve surgical safety and efficiency in the operating room including tables, lights, pendants, positioning devices and various other surgical products and accessories.

Hill Rom's products and services are outlined below:

Advancing Mobility: A variety of bed systems, as well as mobility solutions; **Wound Care and Prevention:** Rent and sale of non-invasive therapeutic products and surfaces; **Clinical Workflow:** Developing and marketing of a variety of communications technologies and software solutions; **Surgical Safety and Efficiency:** providing surgical tables, lights, and pendants utilized within the operating room setting; **Respiratory Health:** offering therapeutic products that provide bronchial hygiene (airway clearance) for acute care.



Source: Zacks Investment Research

Reasons To Sell:

▼ **Share Price Performance:** Over the past six months, Hill-Rom has underperformed its industry. The stock has lost 16.8% against the industry's 8.2% rise. Hill-Rom's domestic sales suffered due to pandemic-led business disruptions despite exiting third-quarter fiscal 2020 with better-than-expected results. Sales in Surgical Solutions dropped significantly, which resulted from project delays, limited hospital access for installations and the surgical consumables divestiture. Also, the company is not providing any guidance for 2020, raising apprehensions.

Another headwind for Hill-Rom is in the form of an unstable economy as its business depends heavily on general domestic and global economic conditions. Other concerns like foreign exchange fluctuations and a stiff competitive landscape continue to bother the company.

▼ **Macroeconomic Headwind May Hamper Growth:** Hill-Rom's business depends heavily on general domestic and global economic conditions, including recession or economic slowdown and disruption of domestic and international credit markets. Over the past several years, the credit and capital markets has experienced extreme volatility and disruption leading to phases of recessionary conditions and depressed levels of consumer and commercial spending. Recessionary conditions have caused customers to reduce or delay plans to purchase Hill-Rom's products and services leading to a slowdown in the company's growth rate in the market.

According to the company, if worldwide economic conditions worsen, its customers may scrutinize costs resulting from pressures on operating margin due to rising supply costs, reduced investment income and philanthropic giving, increased interest expense, reimbursement pressure, reduced elective healthcare spending and uncompensated care.

▼ **Foreign Exchange Headwind to Continue:** Hill-Rom generates a large part of its revenues from outside the United States. According to the company, it is exposed to currency fluctuation. Unfavorable currency movement continued to be a major dampener during the fiscal second quarter and the company does not expect any improvement in this scenario any time soon.

▼ **Tough Competitive Landscape:** The presence of a large number of players has made the medical devices market intensely competitive. Hill-Rom evaluates its competition based on its product categories, rather than business segments. In Patient Support Systems the company competes with ArjoHuntleigh (Division of Getinge AB), Universal Hospital Services, Inc. and Stryker Corporation among others. In Front Line Care, some of the major players are GE Healthcare, Philips and ResMed. In Surgical Solutions, DeRoyal, Draegar and Skytron are some of the other competitors. Additionally, the market also consists of a large number of smaller and regional manufacturers.

Issues like general domestic and global economic headwinds, unfavorable foreign exchange and competitive landscape are major downsides.

Risks

- **Demand Rises Amid Pandemic:** The coronavirus pandemic has been wreaking havoc on the economy as a whole. However, Hill-Rom seems to be an exception. Geographically, the company's international performance was strong with core revenue growth of nearly 40% due to a surge in demand for COVID-19-related products like ICU and med-surg beds, thermometry and vital signs monitoring equipment.

The company's Patient Support Systems segment revenues grew 20.6% at constant exchange rate or CER and core growth was 23% driven by robust demand for med-surg and ICU bed systems and rentals due to the pandemic. Further, Hill-Rom's core revenues rose 12%, which was partly due to benefit from COVID-19-related purchases of more than \$100 million.

- **Long-Term Vision Looks Impressive:** Hill-Rom's newly-initiated long-term growth strategies through fiscal 2022, focusing on all four strategic priorities look attractive at this moment.

In terms of the first priority, to accelerate top-line growth with innovative new products and solutions, the company expects to launch 5 to 6 new products each year through 2022. New product launches are projected to result in the contribution of approximately 200 basis points of growth annually over the 3-year plan.

Going by the second key objective of international expansion and driving penetration in emerging markets, Hill-Rom expects, over the next 3 years, emerging market growth to increase to high-single-digits in 2020 and ramp-up in double-digits thereafter. This will add approximately 100 basis points of top-line growth annually over this 3-year period.

The third priority area includes strategic M&As to strengthen portfolio. According to the company, the acquisitions of Voalte and Breathe created durable new source of growth over a multiyear period. The company also expects future M&As to be incremental to the 3-year plan that it has outlined.

The last key strategic priority area includes operational execution and strong financial performance. Under the 3-year growth plan, the company projects core revenue growth of approximately 5%, double-digit earnings growth and significant cash flow generation.

- **Several Strategic Acquisitions to Add Value:** Hill-Rom's merger and acquisition (M&A) pipeline continues to remain robust. The company aggressively pursues acquisitions to accelerate growth in five key clinical focus areas viz. advancing patient mobility, wound care and prevention, surgical, safety and efficiency, clinical workflow solutions and respiratory help. Worth mentioning is, Hill-Rom's acquisition of Voalte, a mobile health care communication player. The acquisition has already started to accelerate the company's digital and mobile communications platform capabilities and scale with a substantial installed customer base and is in process to strengthen Hill-Rom's connected solutions and digital offerings.

Hill-Rom's recent notable acquisitions include that of Connecta Soft, S.A. de C.V. and Videomed S.r.l (completed during the third quarter of fiscal 2020) and Excel Medical (completed in the fiscal second quarter). Earlier, the company acquired Breathe Technologies, a developer and manufacturer of a patented nasal cannula technology that enables improved patient mobility.

- **Positive Demography — A Growth Factor:** As a result of the growing population of the elderly and obese, there are rising incidences of complex diseases and conditions such as diabetes, congestive heart failure and respiratory disease. Patients are being moved through the hospital faster and generally desire to rapidly move to lower acuity settings. This trend indicates increase in demand for more sophisticated means to deliver care for these patients, such as improved medical technologies, communication tools and information technologies. This, in turn, expands Hill-Rom's scope of growth. We believe, the company's constant efforts to meet changing demand with new differentiated products will increase its ability for further revenue growth and improve margins in the future.

- **Focus on Expansion Through Innovation:** For quite some time now, Hill-Rom has been focusing on expansion through product development, which is reflected in its escalating research and development expenditure. The company's focus on introducing a range of products to meet the unique treatment challenges resulting from COVID-19 is commendable. It also implemented a comprehensive business continuity plan to ensure minimal disruption of its global manufacturing operations and supply chain.

The company received the FDA's EUA for a new closed-circuit design using a bacterial-viral filter for oscillation and lung expansion therapy with the MetaNeb System. This is aimed at reducing cross contamination from escaped aerosolized particles.

Hill-Rom's other products include RetinaVue 700 Imager, EarlySense and WatchCare.

- **Product Launches:** Hill-Rom has been on a roll for the past few months with respect to product launches. The company, in July, launched two respiratory therapy devices — the Volara System, which provides hospital-grade oscillation and lung expansion therapy, and the Synclara Cough System. Notably, the products are part of the company's vision of Advancing Connected Care.

In June, Hill-Rom launched its Extended Care Solution, which is a new and connected remote vital signs monitoring device allowing clinicians to shift care closer to home. The solution combines an all-in-one vital signs solution (the recently-launched Welch Allyn Spot Vital Signs 4400 device) with a patient app and clinician review portal to help extend patient care beyond the walls of a healthcare facility.

Hill-Rom, in April, introduced medical device and connectivity advancements along with updating clinical protocols to enable caregivers to diagnose and treat COVID-19 patients more easily. The company had received emergency use authorization from the FDA to adapt its MetaNeb System to help COVID-19 patients. Hill-Rom also integrated digital respiratory rate capture capabilities into its Welch Allyn Connex Spot Monitor. The latest technology utilizes the integrated pulse oximetry of the Connex Spot Monitor to simply and accurately capture the measure.

Another notable innovative product introduced by the company in the fiscal third quarter is the PST 500, a precision surgical table providing a wide range of positions across various surgical applications.

- **Progress in Digital Health Space:** Hill-Rom's smartphone application LINQ mobile is currently available in the United States and Canada. Per the company, the platform has integrated Clinical Workflows with Nurse Call and clinical surveillance with monitoring systems to enhance care team communication and efficiency. Per management, this move is expected to have paved the way for an additional market opportunity of around \$200 million.

To fortify its ground in the digital health space, Hill-Rom has completed the buyouts of Connecta Soft, S.A. de C.V. and Videomed S.r.l in the fiscal third quarter. These acquisitions are expected to advance the company's vision of Advancing Connected Care. The acquisition of Videomed expands the company's Surgical Solutions portfolio and improves operations.

Hill-Rom's Voalte Extend (launched in the second quarter of fiscal 2020) is a notable product in the company's digital health space. Hill-Rom's Connex Vital Signs Monitor, in which the company added a feature to capture a patient's respiratory rate digitally in the last-reported quarter, is another product in this space. It also includes a remote monitoring platform to simplify connectivity to the recently-launched Welch Allyn Spot 4400 Vital Signs Monitor.

In the fiscal third quarter, Hill-Rom entered into a partnership with Aiva, Inc., to facilitate hands-free voice-enabled communication on the Voalte Mobile solution. Aiva technology works with Amazon Alexa to facilitate touch-free communication, thus allowing a caregiver to enter a room in full personal protective equipment and communicate with other caregivers without touching their mobile devices.

Another notable acquisition by the company to boost its Digital Health space includes that of Excel Medical (a software company with a digital platform), which it completed in the fiscal second quarter. Other partnerships by Hill-Rom included that with AgileMD (a developer of EHR-integrated web and mobile applications for point-of-care use) and Microsoft.

- **Strong Solvency With High Leverage:** Hill-Rom exited the third quarter of fiscal 2020 with cash and cash equivalents of \$332 million compared with \$291 million at the end of the second quarter of fiscal 2020. Meanwhile, total debt came up to \$2.03 billion for the period, compared with \$2.11 billion in the last-reported quarter. This is much higher than the quarter-end cash and cash equivalent, indicating weak solvency. However, if we go by the company's current-year debt level of \$250 million, it is slightly low compared to the current cash in hand. This is good news in terms of solvency position of the company implying that, at least during the year of economic downturn, it has sufficient cash for short-term debt repayment.

Debt comparison with the industry is favorable as the industry's total debt of \$9.81 billion is much higher than the company's debt level.

The quarter's total debt-to-capital ratio of 0.55 indicates a leveraged balance sheet. However, it represents a decrease from 0.58 at the end of the fiscal second quarter. This compares unfavorably with the total debt-to-capital of the industry, which is at a lower level of 0.37.

The times interest earned for the company stands at 4.4% in the fiscal third quarter, up from the last-reported quarter's 3.3%. This, however, compares unfavorably with the times interest earned for the industry which stands at a higher level (4.8%).

In the fiscal third quarter, the company returned \$114 million to shareholders through dividends and share repurchases during the first nine months of fiscal 2020.

The current payout ratio stands at a moderately low level of 14.2%, representing a sequential decrease from 15.9% from the end of the fiscal second quarter. However, this compares favorably with the payout rate of the industry which stands at a higher level (37.3%).

Last Earnings Report

Hill-Rom's Q3 Earnings Report Top Estimates, Margins Expand

Hill-Rom reported third-quarter fiscal 2020 adjusted earnings per share of \$1.95, excluding the impact of certain one-time acquisition-related amortization expenses among others. The figure improved 58.5% from the year-ago quarter and also surpassed the Zacks Consensus Estimate by 35.4%.

The adjustments include expenses related to acquisition-related intangible asset amortization, special charges, regulatory compliance costs and COVID-19 related net costs and benefits, among others.

On a GAAP basis, earnings were \$1.40 per share, reflecting a 191.7% surge from the year-ago reported figure.

Quarter Ending	06/2020
Report Date	Jul 31, 2020
Sales Surprise	3.97%
EPS Surprise	35.42%
Quarterly EPS	1.95
Annual EPS (TTM)	6.05

Revenues

Revenues in the fiscal third quarter came in at \$767.5 million, up 5.6% from the year-ago quarter (up 6.6% at CER). The top line beat the Zacks Consensus Estimate by 3.9%. The revenue growth reflects robust demand for critical care products in response to the pandemic.

The company's core revenues rose 12%, reflecting the contribution of the Breathe Technologies acquisition and benefits of more than \$100 million for COVID-related purchases. For investors' note, core revenues exclude impact of foreign currency, divestitures and non-strategic assets the company may exit, including the Surgical Solutions international original equipment manufacturer business.

Geographically, in the reported quarter, U.S. revenues declined 4.2% while the metric outside the United States climbed 31.9% (up 35.6% at CER). In this case, the core revenues grew 40% primarily resulting from uptick in demand for COVID-related products like ICU and med-surg beds, thermometry and vital signs monitoring equipment.

Segmental Update

In the quarter under review, **Patient Support Systems** revenues rose 19.6% year over year (up 20.6% at CER) to \$447.8 million. This segment's core revenues increased 23%, resulting from robust demand for med-surg and ICU bed systems and rentals due to the pandemic, partially offset by a fall in patient handling equipment and Care Communications' nurse call and mobile offerings due to limited hospital access for installations.

Revenues at the **Front Line Care** segment improved 3.2% to \$252.1 million (up 4.4% at CER). According to the company, this was driven by robust international growth, surge in global demand for the Welch Allyn vital signs monitoring equipment and thermometry and fulfillment of one-time Life2000 non-invasive ventilator orders of approximately \$25 million. However, in the United States, fall in physician office visits led to a decline in certain product categories, including physical assessment and diagnostic tools.

The **Surgical Solutions** segment's revenues declined 37.4% (down 36.7% at CER) to \$67.6 million affected by delay in projects, limited hospital access for installations and the surgical consumables divestiture. Core revenues fell 21% due to project timing and capital delays due to the pandemic.

Margin

In the reported quarter, gross profit totaled \$409 million. Gross margin expanded 423 basis points (bps) to 53.3% on a 14.7% rise in gross profit.

Selling, general and administrative expenses declined 6.8% to \$202.3 million in the quarter under review, while research and development expenses rose 0.9% to \$34.4 million.

Overall adjusted operating profit was \$172.3 million, up 63.5% year over year. Moreover, adjusted operating margin expanded 795 bps year over year to 22.4%.

Cash Position

The company exited the fiscal third quarter with cash and cash equivalents of \$331.8 million compared with \$290.5 million at the end of the second quarter of fiscal 2020. Long-term debt for the company at the end of the fiscal third quarter was \$1.78 billion compared with \$1.86 billion at the end of the fiscal second quarter.

The company returned \$114 million to shareholders through dividends and share repurchases during the first nine months of fiscal 2020.

Year to date, cumulative net cash, cash equivalents and restricted cash provided by operating activities was \$314.8 million compared with \$301.1 million at the end of the year-ago period.

Fiscal 2020 Guidance

Given the uncertainties related to the pandemic-led business disruptions, Hill-Rom is not reinstating its financial guidance. However, the company is upbeat about its performance through the fiscal third quarter and effective management of the company during this challenging period. Based on this, the company expects its fiscal 2020 adjusted earnings per share of at least \$5.40 per share. The Zacks Consensus Estimate for the same is pegged at \$5.44 per share.

Hill-Rom projects adjusted earnings per share, excluding the impact of intangible asset amortization associated with prior business acquisitions, within \$1.23-\$1.28 per share for fiscal 2020.

Valuation

Hill-Rom shares are down 22.9% in the year-to-date period and down 15.2% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 1.8% while the Zacks Medical sector fell 0.3% in the year-to-date period. Over the past year, the Zacks sub-industry is up 3.4% and sector is up 7.4%.

The S&P 500 index is up 7.5% in year-to-date period and increased 12.7% in the past year.

The stock is currently trading at 16X Forward 12-months earnings, which compares to 26.1X for the Zacks sub-industry, 22.3X for the Zacks sector and 21.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.5X and as low as 12.6X, with a 5-year median 17.7X. Our Underperform recommendation indicates that the stock will perform below the market. Our \$76 price target reflects 13.6X forward 12-months earnings.

The table below shows summary valuation data for HRC.

Valuation Multiples - HRC					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.02	26.07	22.29	21.89
	5-Year High	20.50	31.01	23.05	23.47
	5-Year Low	12.59	17.09	15.90	15.27
	5-Year Median	17.71	20.69	19.00	17.70
P/S F12M	Current	2.06	3.71	2.80	4.06
	5-Year High	2.61	3.92	3.25	4.30
	5-Year Low	1.04	2.90	2.25	3.17
	5-Year Median	1.98	3.34	2.86	3.67
P/B TTM	Current	3.53	3.23	3.83	5.72
	5-Year High	4.97	3.48	5.09	6.17
	5-Year Low	2.29	2.20	2.97	3.74
	5-Year Median	3.88	2.87	4.30	4.89

As of 11/04/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 34% (164 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
Envista Holdings Corporation (NVST)	Outperform	3
ResMed Inc. (RMD)	Outperform	2
BioRad Laboratories, Inc. (BIO)	Neutral	2
Cantel Medical Corp. (CMD)	Neutral	3
National Vision Holdings, Inc. (EYE)	Neutral	3
GN STORE NORD (GNNDY)	Neutral	3
ICU Medical, Inc. (ICUI)	Neutral	3
Surmodics, Inc. (SRDX)	Neutral	4

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

Industry Comparison Industry: Medical - Products				Industry Peers		
	HRC	X Industry	S&P 500	BIO	NVST	RMD
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Outperform	Outperform
Zacks Rank (Short Term)	5	-	-	2	3	2
VGM Score	A	-	-	C	A	C
Market Cap	5.83 B	334.17 M	23.31 B	18.54 B	4.27 B	30.35 B
# of Analysts	6	3	13	1	8	6
Dividend Yield	1.00%	0.00%	1.61%	0.00%	0.00%	0.74%
Value Score	B	-	-	D	B	D
Cash/Price	0.05	0.14	0.07	0.07	0.19	0.02
EV/EBITDA	14.57	-0.18	13.55	7.61	11.64	32.44
PEG F1	2.79	3.35	2.68	NA	NA	2.83
P/B	3.53	3.30	3.32	2.10	1.20	11.33
P/CF	10.73	19.36	13.11	87.74	9.27	34.66
P/E F1	16.54	33.73	20.69	65.01	31.58	41.17
P/S TTM	1.97	5.02	2.55	7.79	1.88	10.02
Earnings Yield	6.14%	-0.53%	4.64%	1.54%	3.18%	2.43%
Debt/Equity	1.08	0.07	0.70	0.00	0.49	0.39
Cash Flow (\$/share)	8.17	0.00	6.92	7.12	2.89	6.04
Growth Score	A	-	-	C	C	B
Historical EPS Growth (3-5 Years)	17.77%	8.58%	10.07%	25.94%	NA	14.30%
Projected EPS Growth (F1/F0)	-1.07%	3.31%	0.02%	36.12%	-52.65%	6.86%
Current Cash Flow Growth	3.86%	5.71%	5.34%	20.61%	27.00%	29.09%
Historical Cash Flow Growth (3-5 Years)	18.02%	8.47%	8.38%	19.12%	NA	14.73%
Current Ratio	1.50	2.89	1.39	2.36	2.09	2.61
Debt/Capital	51.90%	13.55%	41.80%	0.14%	33.03%	28.05%
Net Margin	7.05%	-14.50%	10.44%	147.91%	-0.84%	22.45%
Return on Equity	25.48%	-6.70%	14.94%	3.77%	4.30%	30.64%
Sales/Assets	0.63	0.54	0.51	0.25	0.35	0.67
Projected Sales Growth (F1/F0)	-2.04%	0.00%	-0.00%	5.45%	-19.62%	5.17%
Momentum Score	A	-	-	A	A	C
Daily Price Change	-1.01%	0.00%	-0.17%	3.86%	-0.63%	3.44%
1-Week Price Change	-1.42%	-5.48%	-5.63%	0.81%	-4.41%	4.87%
4-Week Price Change	-0.39%	-3.03%	-0.20%	14.56%	2.41%	22.68%
12-Week Price Change	-9.89%	-4.76%	1.06%	24.50%	14.75%	19.10%
52-Week Price Change	-15.15%	1.87%	-0.04%	79.88%	-7.88%	46.19%
20-Day Average Volume (Shares)	485,057	191,496	1,910,976	138,816	1,467,552	505,181
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	21.65%	150.18%	7.39%
EPS F1 Estimate 4-Week Change	-1.44%	0.00%	1.11%	21.65%	160.77%	7.13%
EPS F1 Estimate 12-Week Change	-5.41%	1.66%	2.96%	21.65%	163.81%	7.54%
EPS Q1 Estimate Monthly Change	-5.35%	0.00%	0.43%	22.53%	44.17%	5.27%

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	A
VGM Score	A

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

Disclosures

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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.