The Hershey Company(HSY)

$173.09 (As of 05/20/21)

Price Target (6-12 Months): **$182.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 11/21/19) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C | Growth: B | Momentum: B	**3-Hold** VGM:B

Summary

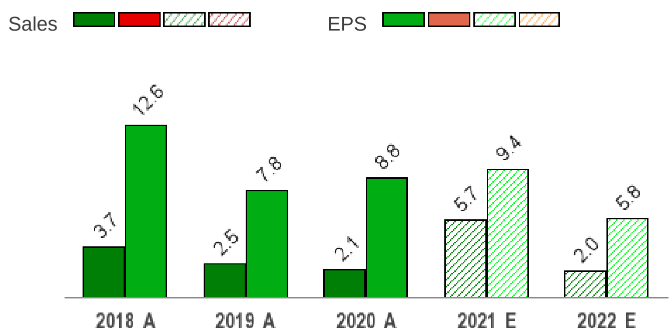
Hershey has outpaced the industry in the past three months. The company is benefiting from strength in the North America unit, which remained sturdy in the first quarter of 2021 – wherein earnings and sales grew year over year and beat the consensus mark. Owing to solid first-quarter performance and impressive projections for the rest of the year, the company raised its guidance for 2021. Notably, Hershey's focus on buyouts to augment portfolio and fuel revenues has been yielding. However, the company is seeing high raw material and packaging cost inflation along with elevated supply-chain costs. Notably, this put pressure on its adjusted gross margin in the first quarter. Apart from these, high selling, marketing and administrative costs were a drag on the company's performance. Moreover, foreign currency headwinds hurt sales.

Price, Consensus & Surprise

Data Overview

52-Week High-Low	**$174.74 - $125.50**
20-Day Average Volume (Shares)	**1,088,990**
Market Cap	**$35.8 B**
Year-To-Date Price Change	**13.6%**
Beta	**0.35**
Dividend / Dividend Yield	**$3.22 / 1.9%**
Industry	**Food - Confectionery**
Zacks Industry Rank	**Bottom 49% (128 out of 251)**
Last EPS Surprise	**6.1%**
Last Sales Surprise	**9.1%**
EPS F1 Estimate 4-Week Change	**2.4%**
Expected Report Date	**07/22/2021**
Earnings ESP	**0.0%**
P/E TTM	**26.3**
P/E F1	**25.2**
PEG F1	**3.3**
P/S TTM	**4.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	2,276 E	1,867 E	2,337 E	2,280 E	8,789 E
2021	2,296 A	1,830 E	2,266 E	2,213 E	8,614 E
2020	2,037 A	1,707 A	2,220 A	2,185 A	8,150 A

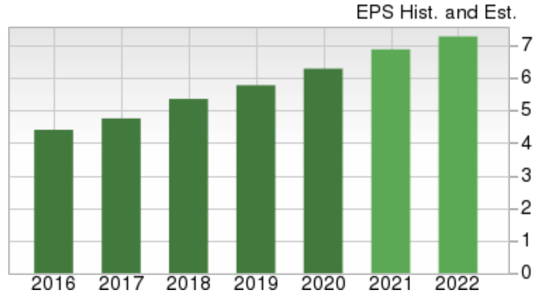
EPS Estimates

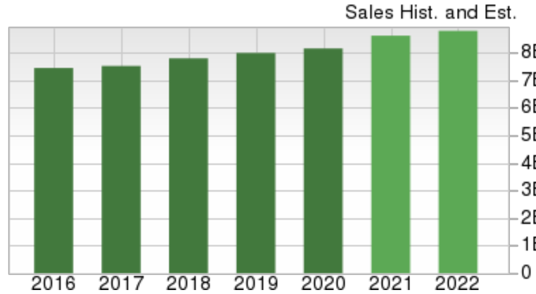
	Q1	Q2	Q3	Q4	Annual*
2022	$2.06 E	$1.46 E	$2.11 E	$1.68 E	$7.28 E
2021	$1.92 A	$1.41 E	$2.01 E	$1.55 E	$6.88 E
2020	$1.63 A	$1.31 A	$1.86 A	$1.49 A	$6.29 A

*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





Founded in 1894 and based in Hershey, PA, The Hershey Company (HSY), is the largest chocolate manufacturer in North America as well as a global leader in chocolate and non-chocolate confectionery. In addition, Hershey manufactures pantry items like baking ingredients, toppings and beverages; and gum and mint refreshment products; snack bites and mixes, as well as spreads.

Hershey's operating segments comprise geographic regions — North America (contributed 91% to 2020 net sales) as well as International and Other (9%). International and Other segment includes operations in China, Mexico, Brazil, India and Malaysia, as well as export to markets in Asia, Latin America, Middle East, Europe, Africa and other regions).

The company's portfolio in North America includes a wide range of products, which are marketed and sold under brands like Hershey's, Reese's and Kisses, along with other popular chocolate and non-chocolate confectionery brands like Jolly Rancher, Almond Joy, Brookside, barkTHINS, Cadbury, Good & Plenty, Heath, Kit Kat, Lancaster, Payday, Rolo, Twizzlers, Whoppers and York.

In North America, the company also provides premium chocolates through Scharffen Berger and Dagoba brands. Further, it offers Ice Breakers mints and chewing gum, Breathsavers mints and Bubble Yum bubble gum as part of gum and mint products. Hershey's pantry and snack items include baking products, toppings and sundae syrups sold under the Hershey's, Reese's and Heath brands, as well as Hershey's and Reese's chocolate spreads, snack bites and mixes, Popwell half-popped corn snacks, baked and trans fat free Pirate's Booty snacks and other better-for-you snack brands such as Oatmega among others.

In the International and Other regions, Hershey produces and sells the same brands. It also provides other brands, which are marketed regionally. These include Pelon Pelo Rico confectionery products in Mexico, IO-IO snack products in Brazil, and Nutrine and Maha Lacto confectionery products and Jumpin and Sofit beverage products in India.

The company manufactures and markets several products through licensing agreements with Kraft Foods Ireland (York, Peter Paul Almond Joy and Peter Paul Mounds), Cadbury U.K. (Cadbury and Caramello) and Nestle (Kit-Kat and Rolo).

Source: Zacks Investment Research

Reasons To Buy:

Hershey has been undertaking buyouts to augment portfolio strength as well as boost revenues. Also, the company regularly brings innovation to its core brands to meet consumer demand.

▲ **Impressive Q1 Results, Uplifted View**: Shares of Hershey have rallied 17.3% in the past three months, compared with the industry's growth of 15.8%. The company reported robust first-quarter 2021 results, with the top and the bottom line surpassing the Zacks Consensus Estimate. Moreover, sales and earnings increased year over year. Results gained from solid performance in the North America as well as International and Other segment. Notably, adjusted earnings per share (EPS) came in at $1.92, up 17.8% year over year. Further, consolidated net sales of $2,295.9 million increased 12.7%. The upside can be attributed to solid growth in core confection and seasonal products coupled with accelerated rebound in pandemic-impacted businesses. Volumes in the quarter contributed 11 points to net sales growth on the back of continued momentum in the North America segment along with robust rebound in the International & Other segment. Net sales in North America unit increased 12.8%, while volume contributed 11 points to net sales growth on the back of strong seasonal performance, continued momentum in the take-home chocolate portfolio and rebound in non-measured businesses. Further, net sales in the International and Other segment rallied 11.2%. Volume contributed 11 point benefit to the segment. The company highlighted that stronger than anticipated consumer mobility drove growth in the segment, although trends in the markets continue to remain volatile.

Owing to solid first-quarter performance and impressive projections for the rest of the year, the company raised its 2021 view. Incidentally, management noted that greater-than-anticipated consumer mobility as well as increased distribution and merchandising opportunities in North America confection are driving growth. Hershey now expects its 2021 net sales to increase 4-6%. Earlier, management had guided for net sales growth of 2-4%. Further, the company now projects adjusted EPS in the range of $6.79-$6.92, which suggests growth of 8-10% year over year. Notably, the metric came in at $6.29 in 2020. Prior to this, the metric was expected to grow 6-8%. Well, the increased earnings outlook reflects volume gains, somewhat offset by increased input costs and incentive compensation.

▲ **Gains From Buyouts**: Hershey has been undertaking buyouts to augment portfolio strength as well as boost revenues. The company acquired ONE Brands, LLC in September 2019 to solidify its footing in the snacking category. Prior to this, the company acquired Pirate Brands in October 2018 to bolster its snacking business. Additionally, the company has been gaining from Amplify Snack Brands, which was acquired in January 2018, to expand in the snacking category. During its first-quarter earnings call, management highlighted that its Amplify business is performing well, with retail sales increase of 9% for the year-to-date period ending April 18. The upside was driven by SkinnyPop, which increased 14.6%. In earlier developments, the acquisition of New York-based barkTHINS (April 2016) premium chocolate snacking brand has been aiding the company’s better-for-you snacks portfolio.

▲ **Pricing Strategies**: Hershey has been undertaking strategic pricing initiatives to improve its performance. Notably, price realization benefited Hershey’s top line by 1.9 points in the first quarter of 2021. Further, net price realization contributed 1.7 point benefit driven by increase in list price and trade favorability in the North America business. Also, price realization contributed 3.9 point benefit to the International & Other segment. We believe that, persistence of such trends is likely to keep driving the company’s performance in the future.

▲ **Strong Brand Portfolio & Focus on Innovation**: Hershey is the largest producer of quality chocolate products in the United States. It markets some of the world’s leading brands which enjoy widespread consumer acceptance. The company is also a global leader in sugar confectionery products, which is attractive category as confectionery products are easily available, affordable and highly indulgent, thus making the industry almost recession resistant. Hershey’s core brands — Hershey’s, Reese’s, Hershey’s Kisses, Jolly Rancher, Brookside, Sofit and Ice Breakers — have been growing strongly on the back of advertising investments, in-store merchandising, and programming and innovation.

In fact, Hershey regularly brings innovation to its core brands to meet consumer demand and needs that are not addressed by its current portfolio. In its first-quarter earnings call, management highlighted that it is on track with several innovations. In this regard, the company’s take home items like Kit Kat Thins and our Zero Sugar products are being rolled out. Also, the company is committed to support its brands through solid media marketing. The company had earlier informed that its sugar free platform has been yielding. An important strategy of the company is to create a unique and holistic portfolio for every season, which can meet consumers’ seasonal shopping needs.

▲ **Financial Position**: Hershey’s long-term debt of $4,094.2 million as at the end of the first quarter of 2021 (as of Apr 4, 2021) almost remained in line with in the previous quarter level. Further, the company had had cash and cash equivalents of $1,132.2 million as of the end of the first quarter, while its short-term debt and current portion of long-term debt stood at $418.4 million. Apart from this, the company’s times interest earned ratio stood at 12.2, higher than the preceding quarter’s ratio of 11. The times-interest-earned ratio is very important for some companies, as it measures a company's ability to meet its debt obligations based on its current income.

Moreover, Hershey looks well placed on the dividend-payout front. In the first quarter of 2021, the company paid $163 million in cash dividends. Also, it resumed share repurchase programs and completed $240 million of buybacks. Along with its first-quarter earnings release, the company declared a quarterly dividend of 80.4 cents per share for its common stock and 73.1 cents for Class B common stock. These are payable on Jun 15, 2021 to shareholders of record as of May 21. Notably, this marks the company’s 366th and 147th straight dividend payout on its common stock and Class B common stock, respectively. Currently, Hershey has a dividend payout of 48.9%, dividend yield of 2% and free cash flow yield of 4.7%. With an annual free cash flow return on investment of 26%, ahead of the industry’s 17.3%; the dividend payment is likely to be sustainable.

Reasons To Sell:

- **Cost Woes**: During the first quarter of fiscal 2021, Hershey's adjusted gross margin contracted 80 basis points (bps) to 45.8% owing to raw material and packaging cost inflation, along with higher supply chain costs.

  Apart from this, selling, marketing and administrative costs increased 4.1% due to increased advertising in the North America segment and corporate expenses. Advertising and related consumer marketing expenses rose 2.8% due to higher investments in core brands, innovation as well as greater sponsorships in North America. Further, selling, marketing and administrative expenses, excluding advertising and related consumer marketing, increased 4.8% thanks to higher accruals for incentive compensation as well as greater investments in capabilities and technology. We believe that, persistence of this trend is a concern for the company.

Raw material and packaging cost inflation hurt Hershey's adjusted gross margin in first-quarter 2021. Also, currency headwinds persisted in the quarter.

- **Currency Headwinds**: Hershey remains exposed to volatile currency movements owing to its international presence. Markedly, currency had an adverse impact of 0.1 points on the company's top line in the first quarter of 2021. The same hurt net sales in the International and Other by 3.7 points in the quarter. We believe that, persistence of this trend is a concern for the company.

- **Stiff Competition**: Hershey operates in highly competitive markets, along with several global multinational, national, regional and local firms. The company has some competitors, which are big entities with considerable resources and significant international operations. Well, Hershey competes on the basis of product innovation, product quality, price, efficacy of marketing and promotional strategies and the ability to cater to consumer preferences among other things. Of late, the company also witnessed heightened competition from other snack items, which in turn puts pressure on the confectionery category.

- **Soft Macroeconomic Environment**: The North American food industry remains exposed to shifting consumer preferences (for example, shift toward products with less artificial sweeteners, sodium and saturated fat), changes in consumer dynamics, demographic shifts, and also a spending shift toward lower-priced products. Further, Hershey is dependent on consumer discretionary spending environment, which is affected by the general macroeconomic conditions like consumer confidence and employment levels.

Last Earnings Report

Hershey's Q1 Earnings Surpass Estimates, Sales Up

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	9.10%
EPS Surprise	6.08%
Quarterly EPS	1.92
Annual EPS (TTM)	6.58

Hershey reported robust first-quarter 2021 results, with the top and the bottom line surpassing the Zacks Consensus Estimate. Moreover, sales and earnings increased year over year. Results gained from solid performance in the North America as well as International and Other segment. Owing to solid first-quarter results, management raised its 2021 view.

Q1 in Details

Adjusted EPS of $1.92 came ahead of the Zacks Consensus Estimate of $1.81 and increased 17.8% year over year.

Consolidated net sales of $2,295.9 million increased 12.7% year over year and surpassed the Zacks Consensus Estimate of $2,104.4 million. Price realization and volume growth were 1.9 point and 11 point, respectively. Volumes benefited from continued momentum in the North America segment along with robust rebound in the International & Other segment. However, the impact of divestitures was negative to the tune of 0.1 point due to divestitures of Kraveas well as the Scharffen Berger and Dagoba brands. Also, unfavorable foreign currency rates affected sales by 0.1 point. Further, organic net sales on a constant-currency (cc) basis increased 12.9%.

Adjusted gross margin contracted 80 basis points (bps) to 45.8% owing to raw material and packaging cost inflation along with higher supply chain costs. Selling, marketing and administrative costs increased 4.1% due to increased advertising in the North America segment and corporate expenses. Advertising and related consumer marketing expenses rose 2.8% due to higher investments in core brands, innovation as well as greater sponsorships in North America. Further, selling, marketing and administrative expenses, excluding advertising and related consumer marketing, increased 4.8% thanks to higher accruals for incentive compensation as well as greater investments in capabilities and technology. These were somewhat offset by savings led by reduced travel and meeting amid the pandemic.

Adjusted operating profit increased 17.9% to $555.7 million, while adjusted operating profit margin expanded 110 bps to 24.2%. The upside was led by solid volume gains in the North America and International and Other units. However, gross margin pressures owing to increased input costs and supply chain complexities among others were a drag.

Segmental Update

North America (the United States and Canada) net sales increased 12.8% year over year to $2,081.9 million. Markedly, volume contributed 11 points to net sales growth on the back of strong seasonal performance, continued momentum in the take-home chocolate portfolio and rebound in non-measured businesses. Also, two extra order days in the first quarter added to the upside. Further, net price realization contributed 1.7 point benefit driven by increase in list price and trade favorability. Moreover, favorable currency boosted sales in the unit by 0.2 point. However, impact of divestiture dented the unit by 0.1 point.

Net sales in the **International and Other** segment rallied 11.2% to $214.1 million. On a cc basis, net sales increased 14.9%. Volume and price realization contributed 11 point and 3.9 point benefit, respectively. The company highlighted that stronger than anticipated consumer mobility drove growth in the segment, although trends in the markets continue to remain volatile.

Financials

Hershey ended the quarter with cash and cash equivalents of $1,132.2 million, long-term debt of $4,094.2 million and total shareholders' equity of $2,264.8 million.

2021 Outlook

Owing to solid first-quarter performance and impressive projections for the rest of the year, the company is updating its 2021 outlook upward. Incidentally, management noted that greater-than-anticipated consumer mobility as well as increased distribution and merchandising opportunities in North America confection are driving growth.

Hershey now expects its 2021 net sales to increase 4-6%. Earlier, management had guided for net sales growth of 2-4%. Further, the company now projects adjusted EPS in the range of $6.79-$6.92, which suggests growth of 8-10% year over year. Notably, the metric came in at $6.29 in 2020. Prior to this, the metric was expected to grow 6-8%. Well, the increased earnings outlook reflects volume gains, somewhat offset by increased input costs and incentive compensation.

Recent News

Hershey Declares Dividend – Apr 29, 2021

Hershey declared a quarterly dividend of 80.4 cents per share for its common stock and 73.1 cents for Class B common stock. These are payable on Jun 15, 2021 to shareholders of record as of May 21. Notably, this marks the company's 366th and 147th straight dividend payout on its common stock and Class B common stock, respectively.

Valuation

Hershey's shares are up 14.7% in the year-to-date period and 35.6% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 13.4% and the Zacks Consumer Staples sector gained 7.6% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector gained 36.3% and 323%, respectively.

The S&P 500 index is up 11.9% in the year-to-date period and 44.8% in the past year.

The stock is currently trading at 24.6X forward 12-month earnings, which compares to 22.27X for the Zacks sub-industry, 20.86X 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 27.02X and as low as 16.46X, with a 5-year median of 22.09X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $182 price target reflects 25.83X forward 12-month earnings.

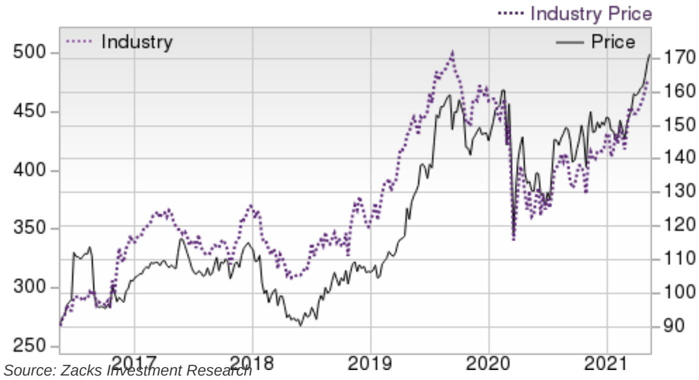
The table below shows summary valuation data for HSY

Valuation Multiples - HSY

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.6	22.27	20.86	21.74
	5-Year High	27.02	24.42	22.4	23.83
	5-Year Low	16.46	15.57	16.52	15.3
	5-Year Median	22.09	19.9	19.52	18.02
P/S F12M	Current	4.13	2.71	10.45	4.66
	5-Year High	4.2	2.73	11.96	4.74
	5-Year Low	2.35	1.62	8.59	3.21
	5-Year Median	3.05	2.15	10.34	3.71
EV/EBITDA F12M	Current	17.08	10.48	35.58	17.21
	5-Year High	18.02	12.21	37.89	18.81
	5-Year Low	11.77	7.32	25.82	13.02
	5-Year Median	13.85	9.59	34.05	15.85

As of 05/20/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 49% (128 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
B&G Foods, Inc. **(BGS)**	Neutral	3
CONAGRA BRANDS **(CAG)**	Neutral	3
General Mills, Inc. **(GIS)**	Neutral	4
The Hain Celestial Group, Inc. **(HAIN)**	Neutral	2
Kellogg Company **(K)**	Neutral	3
McCormick & Company, Incorporated **(MKC)**	Neutral	3
The Simply Good Foods Company **(SMPL)**	Neutral	3
Hostess Brands, Inc. **(TWNK)**	Neutral	3

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

Industry Comparison Industry: Food - Confectionery

	HSY	X Industry	S&P 500	MKC	SMPL	TWNK
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	D	D	C
Market Cap	35.83 B	2.71 B	30.13 B	24.27 B	3.27 B	2.07 B
# of Analysts	8	5	12	6	6	5
Dividend Yield	1.86%	0.00%	1.29%	1.50%	0.00%	0.00%
Value Score	C	-	-	C	C	B
Cash/Price	0.03	0.06	0.05	0.01	0.03	0.08
EV/EBITDA	20.00	20.28	17.33	24.32	35.79	16.11
PEG F1	3.29	3.28	2.18	4.54	NA	NA
P/B	15.82	2.70	4.14	5.83	2.56	1.24
P/CF	22.37	24.89	17.39	26.14	28.81	13.68
P/E F1	25.24	25.15	21.81	30.31	31.49	18.80
P/S TTM	4.26	3.95	3.53	4.13	3.64	1.99
Earnings Yield	3.97%	3.97%	4.50%	3.30%	3.19%	5.31%
Debt/Equity	1.81	0.55	0.66	1.14	0.43	0.67
Cash Flow ($/share)	7.74	1.17	6.82	3.48	1.19	1.16
Growth Score	B	-	-	D	D	C
Historical EPS Growth (3-5 Years)	9.05%	9.05%	9.39%	11.93%	21.41%	8.74%
Projected EPS Growth (F1/F0)	9.44%	11.06%	20.15%	5.95%	19.23%	12.27%
Current Cash Flow Growth	6.70%	18.50%	0.74%	5.89%	100.26%	30.30%
Historical Cash Flow Growth (3-5 Years)	2.34%	2.34%	7.37%	10.81%	NA	8.87%
Current Ratio	1.61	2.92	1.39	0.81	3.59	2.24
Debt/Capital	64.38%	35.03%	41.58%	53.23%	30.03%	40.02%
Net Margin	16.69%	10.49%	11.70%	13.02%	7.84%	8.58%
Return on Equity	66.00%	7.61%	16.06%	20.64%	7.60%	6.65%
Sales/Assets	0.93	0.46	0.50	0.51	0.44	0.31
Projected Sales Growth (F1/F0)	5.69%	5.43%	9.14%	8.92%	14.75%	5.18%
Momentum Score	B	-	-	D	A	F
Daily Price Change	0.47%	-0.13%	0.69%	1.18%	-0.61%	0.51%
1-Week Price Change	1.55%	0.06%	-0.87%	0.26%	-4.24%	0.06%
4-Week Price Change	6.69%	0.68%	1.58%	-0.60%	0.68%	5.11%
12-Week Price Change	17.29%	17.29%	10.52%	7.65%	17.87%	7.69%
52-Week Price Change	35.19%	35.19%	46.94%	6.55%	107.09%	34.15%
20-Day Average Volume (Shares)	1,088,990	529,636	1,929,084	1,098,944	529,636	1,151,110
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	1.48%	-0.16%
EPS F1 Estimate 4-Week Change	2.42%	1.48%	1.84%	-0.07%	1.48%	-0.16%
EPS F1 Estimate 12-Week Change	2.38%	2.38%	2.57%	2.02%	4.34%	-0.40%
EPS Q1 Estimate Monthly Change	-2.04%	-2.04%	0.94%	0.00%	2.14%	-7.23%

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

Value Score	C
Growth Score	B
Momentum Score	B
VGM Score	B

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.

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

Disclosures

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

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

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

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

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

Additional Disclosure

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

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a mediumterm price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock’s closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

# of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn’t change frequently, dividend yield usually changes with a stock’s price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock’s weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every $1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.