

## IMAX Corporation (IMAX)

**\$16.92** (As of 12/23/20)

Price Target (6-12 Months): **\$18.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 09/28/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

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

**4-Sell**

Zacks Style Scores:

VGM:F

Value: F

Growth: F

Momentum: D

### Summary

IMAX shares have underperformed the industry year to date. Lack of availability of new film content, especially in the Domestic and Rest of World markets is a major drawback. Additionally, low theater system installations and lower ticket sales in theaters due to coronavirus despite theaters reopening worldwide are expected to remain overhangs. IMAX's significant exposure to China, its second largest revenue generating market, is a concern. However, in many parts of Asia, audiences are returning to IMAX theaters in numbers consistent with pre-pandemic attendance, which is a major positive. Additionally, the company's strong cash balance and flexible business model position it well to manage through coronavirus-led lockdown. Also, a solid slate of movie releases in the second half of 2020 and early 2021 is expected to drive the top line.

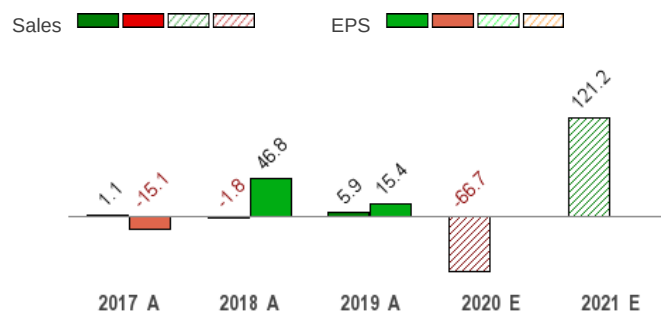
### Price, Consensus & Surprise



### Data Overview

|                                |                                                                |
|--------------------------------|----------------------------------------------------------------|
| 52-Week High-Low               | <b>\$21.31 - \$6.01</b>                                        |
| 20-Day Average Volume (Shares) | <b>832,574</b>                                                 |
| Market Cap                     | <b>\$943.5 M</b>                                               |
| Year-To-Date Price Change      | <b>-21.5%</b>                                                  |
| Beta                           | <b>1.82</b>                                                    |
| Dividend / Dividend Yield      | <b>\$0.00 / 0.0%</b>                                           |
| Industry                       | <b>Film and Television<br/>Production and<br/>Distribution</b> |
| Zacks Industry Rank            | <b>Bottom 4% (246 out of 255)</b>                              |

### Sales and EPS Growth Rates (Y/Y %)



|                               |                   |
|-------------------------------|-------------------|
| Last EPS Surprise             | <b>-141.9%</b>    |
| Last Sales Surprise           | <b>17.9%</b>      |
| EPS F1 Estimate 4-Week Change | <b>0.0%</b>       |
| Expected Report Date          | <b>02/17/2021</b> |
| Earnings ESP                  | <b>0.0%</b>       |
| P/E TTM                       | <b>NA</b>         |
| P/E F1                        | <b>NA</b>         |
| PEG F1                        | <b>NA</b>         |
| P/S TTM                       | <b>4.6</b>        |

### Sales Estimates (millions of \$)

|      | Q1   | Q2    | Q3   | Q4    | Annual* |
|------|------|-------|------|-------|---------|
| 2021 | 49 E | 63 E  | 71 E | 106 E | 292 E   |
| 2020 | 35 A | 9 A   | 37 A | 51 E  | 132 E   |
| 2019 | 80 A | 105 A | 86 A | 124 A | 396 A   |

### EPS Estimates

|      | Q1        | Q2        | Q3        | Q4        | Annual*   |
|------|-----------|-----------|-----------|-----------|-----------|
| 2021 | -\$0.12 E | \$0.01 E  | \$0.12 E  | \$0.25 E  | \$0.17 E  |
| 2020 | -\$0.48 A | -\$0.44 A | -\$0.75 A | -\$0.22 E | -\$1.87 E |
| 2019 | \$0.18 A  | \$0.32 A  | \$0.21 A  | \$0.35 A  | \$1.05 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 12/23/2020. The reports text is as of 12/23/2020.

## Overview

Headquartered in Mississauga, Canada, IMAX is a leading global entertainment technology, specializing in motion picture technologies and presentations.

The company reported revenues of \$395.7 million in 2019. It generates revenues primarily from four main groups: Network business (49.7% of 2019 revenues), Theater business (45.6%), New business (0.7%) and other (3.9%).

The company primarily offers IMAX Digital Re-Mastering (DMR) and IMAX Theater Systems. IMAX DMR digitally re-masters Hollywood films into IMAX digital cinema package format or 15/70-format film for exhibition in its theaters.

In 2019, 60 films were converted through the IMAX DMR process and released at theaters in the IMAX network by film studios compared to 70 films in 2018.

The company recently introduced IMAX with Laser, its next-generation laser projection system designed for IMAX theaters, in commercial multiplexes.

The company has signed IMAX with Laser agreements with leading, global exhibitors such as AMC Entertainment, CGV Holdings Limited, Cineworld Group, Les CinémasPathé Gaumont and others for a total of 140 new theaters, 157 upgrades to existing IMAX theaters and 52 upgrades to existing backlog arrangements.

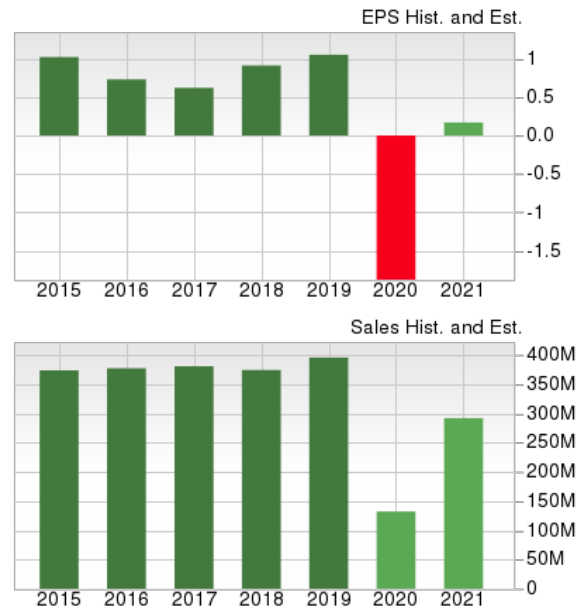
As of Mar 31, 2020, 140 IMAX with Laser systems were installed, and the company's backlog included 147 new IMAX with Laser systems and 94 upgrades to IMAX with Laser systems.

Moreover, as of Mar 31, 2020, IMAX had an installed base of 1,616 theater systems — 1,526 commercial multiplex, 14 commercial destination, 76 institutional — operating in 81 countries.

The company is also exploring new businesses like Home Entertainment and investing in original content.

In September 2018, the company announced a new home entertainment licensing and certification program called IMAX Enhanced. Notable partners of the program were Sony Electronics, Sony Pictures, Paramount Pictures and Sound United.

Moreover, in 2017, IMAX piloted a virtual reality (VR) initiative that included several pilot IMAX VR Centers located in a number of multiplexes and a stand-alone venue, each retrofitted with proprietary VR pods that permitted interactive, moveable VR experiences. However, in December 2018, the company decided to close its VR locations as part of its strategic review.



Source: Zacks Investment Research

---

## Reasons To Buy:

- ▲ IMAX is benefiting from studios' increasing emphasis on releasing franchise content and consumers' growing desire to experience this content in differentiated ways. The launch of cutting-edge IMAX with Laser in April 2018 is a key differentiator in this regard. The offering has gained significant adoption within a short span of time (more than 200 agreements since launch). Additionally, the company stated that partners like Cineworld, AMC Networks and Pathé are increasingly installing IMAX Laser systems, which is a positive.
- ▲ Moreover, a strong slate of releases, including Wonder Woman 1984, No Time To Die (newest instalment in the James Bond franchise), Chris Nolan's latest sci-fi epic, TENET, Paramount's Top Gun: Maverick and Detective Chinatown 3, Marvel's Black Widow and Eternals to Fast 9 as well as local language titles are likely to drive growth in the rest of 2020. Further, the company is expected to gain from the launch of new pricing programs, which are expected to increase foot traffic, thereby driving IMAX's top-line growth in the long haul.
- ▲ IMAX's improved liquidity makes the stock attractive to investors. In first-quarter 2020, management decided to draw down the remaining available credit facility borrowing capacity of \$280 million in response to uncertainties associated with the outbreak of the COVID-19 global pandemic and its impact on the company's business. Although the company's cash, cash equivalents totaled \$305 million as of Sep 30, 2020 compared with \$319 million as of Jun 30, 2019, a total debt of \$298 million as of Sep 30, 2020 should not be a bother for IMAX due to the solid cash balance.

IMAX's expanding global footprint, growing number of blockbuster movies and strong slate of releases are key catalysts.

---

### Reasons To Sell:

- ▼ IMAX's significant exposure to China, its second largest revenue generating market, is a concern. Greater China continues to be IMAX's largest market, with approximately 31% of overall revenues generated in 2019. Moreover, the company postponed theatrical releases due to the coronavirus breakout in China, which is expected to hurt its top-line growth in the near term.
- ▼ IMAX faces significant competition in the out-of-home entertainment industry. Moreover, the continuing evolution of home video, pay-per-view, streaming services, video-on-demand, DVD, Internet and syndicated and broadcast television also presents significant threat to IMAX's growth prospects.
- ▼ There is ongoing uncertainty surrounding the coronavirus pandemic and the extent and duration of its impact on IMAX's box office revenues due to lack of availability of new film content, ticket sales and theater system installations despite theaters reopening worldwide.

Significant exposure to China, exposure to foreign exchange volatility, significant competition and failure of new businesses to gain traction are headwinds.

## Last Earnings Report

### IMAX's Q3 Loss Wider Than Expected, Revenues Decline Y/Y

IMAX Corporation reported third-quarter 2020 adjusted loss of 75 cents per share, which was wider than the Zacks Consensus Estimate of a loss of 31 cents. The figure marked a sharp drop from adjusted earnings of 21 cents per share reported in the year-ago quarter.

Total revenues of \$37.3 million beat the Zacks Consensus Estimate by 15.6% but declined 56.9% from the year-ago quarter.

In the third quarter of 2020, 85% of the theaters in the IMAX commercial multiplex network, spanning 57 countries, reopened, including 73% of the theaters in Domestic (United States and Canada) locations, 97% of the theaters in Greater China and 78% of the theaters in Rest of World markets. In many parts of Asia, audiences have returned to theaters, particularly IMAX theaters, in numbers consistent with pre-pandemic attendance.

However, the availability of new film content was limited, especially in the Domestic and Rest of World markets, and ticket sales were significantly lower than normal levels in theaters outside of Asia.

Category-wise, technology sales, Image Enhancement & Maintenance Services, Technology Rentals and financial income were down 27.5%, 67%, 74.6% and 14.2% year over year to \$15.8 million, \$14.6 million, \$4.5 million and \$2.4 million, respectively.

### Segment Details

#### *IMAX Technology Network Business*

IMAX technology network business revenues were \$11 million, down 73.7% year over year due to decrease in IMAX DMR revenues.

Within the segment, IMAX DMR revenues were down 74.2% year over year to \$6.5 million due to a 72% year-over-year decline in global box office receipts generated by IMAX DMR films in the third quarter of 2020.

In the third quarter of 2020, global box office was generated by the exhibition of six new films and the re-release of classic titles compared with 26 films (20 new and 6 carryovers) exhibited in the year-ago period.

During the nine months ended Sep 30, 2020, six local language IMAX DMR films were released to the IMAX network, including two in Russia, two in China, and one in each of Japan and South Korea.

Joint revenue sharing arrangements-contingent rent decreased 73.1% year over year to \$4.5 million due to a 70% year-over-year decline in global box office generated by theaters under joint revenue sharing arrangements in the third quarter of 2020.

As of Sep 30, 2020, 881 theaters operated under joint revenue sharing arrangements compared with 841 theaters as of Sep 30, 2019, an increase of 5%.

#### *IMAX Technology Sales & Maintenance*

IMAX technology sales & maintenance business generated revenues of \$23.7 million, down 37.1% year over year as the pace of theater system installations slowed significantly and maintenance revenue was not recognized for theaters that remained closed during the period due to the COVID-19 global pandemic.

Within this segment, IMAX systems revenues declined 16.9% from the year-ago quarter to \$17.4 million. IMAX maintenance revenues declined 57.1% year over year to \$5.9 million as COVID-19-related closures of IMAX theater systems through a portion of the quarter prevented the recognition of revenues.

Moreover, Joint revenue sharing arrangements-fixed fees were \$0.1 million, down 96% year over year. Other theater revenues declined 80.3% to \$0.3 million in the reported quarter.

#### *New Business & Others*

New Business generated revenues of \$0.4 million, down 36.6% year over year. Film distribution and post-production generated revenues of \$1.8 million, down 47.1% year over year.

### Network Growth Statistics

As of Sep 30, 2020, there were 1,632 IMAX theater systems (1,542 commercial multiplexes, 13 commercial destinations, 77 institutional) operating in 82 countries and territories.

Greater China is the company's largest market, measured by revenues. As of Sep 30, 2020, it had 726 theaters operating in Greater China with an additional 258 theaters in backlog that are scheduled to be installed by 2028. The company's backlog in Greater China represents 47.3% of its total current backlog, including upgrades.

IMAX installed 23 systems and signed agreements for 10 systems in the quarter, demonstrating continued partner demand for IMAX theater systems despite the temporary delay of major theatrical releases.

| Quarter Ending   | 09/2020      |
|------------------|--------------|
| Report Date      | Oct 29, 2020 |
| Sales Surprise   | 17.89%       |
| EPS Surprise     | -141.94%     |
| Quarterly EPS    | -0.75        |
| Annual EPS (TTM) | -1.32        |

---

As at Sep 30, 2020, 150 IMAX with Laser systems have been installed, and the company's backlog included 155 new IMAX with Laser systems and 92 upgrades to IMAX with Laser systems.

#### **Operating Details**

Gross margin contracted from 54.5% in the year-ago quarter to 10.3% in third-quarter 2020.

Adjusted EBITDA per credit facility was (\$0.3 million) against \$32.4 million in the year-ago period.

Selling, general & administrative (SG&A) expenses decreased 15.8% year over year to \$24.8 million.

Research & development (R&D) expenses decreased 16.9% on a year-over-year basis to \$1.1 million.

Operating income margin contracted from 16.7% in the year-ago quarter to (73.5%) in the reported quarter.

#### **Balance Sheet & Cash Flow**

As of Sep 30, 2020, IMAX had cash and cash equivalents of \$305 million compared with \$319 million in the prior quarter.

Cash flow used operating activities was \$30.8 million compared with \$20.8 million used in the prior quarter.

Negative free cash flow was \$11.8 million compared with \$29.8 million in the prior quarter.

#### **2020 Guidance**

The company expects average monthly cash flow for the fourth quarter of 2020 and the first quarter of 2021 to be approximately break-even, representing continued free cash flow improvement.

---

## Recent News

On Dec 18, IMAX and IMAX China announced a new 12-theatre agreement with Guangzhou JinYi Media Corporation, expanded their longstanding partnership. Under the deal, JinYi will upgrade to IMAX with Laser technology at seven of its most popular IMAX locations — including one of their top grossing theatres in Beijing — and install five IMAX systems at new locations.

On Oct 27, IMAX announced a slate agreement to release five current and forthcoming TOHO films in IMAX theaters. The new agreement marks IMAX's biggest slate deal to date with a film studio outside Hollywood and includes, as of Oct 19, the number-one film in the world, *Demon Slayer The Movie: Mugen Train* (distributed by TOHO and Aniplex), which topped the Japanese box office last weekend with \$44 million 3-day gross, including \$2.3 million in IMAX from 38 screens.

On Oct 4, IMAX announced that the company scored a record-breaking \$13 million opening weekend of the National Day Golden Week holiday in China. The figure marks IMAX's best-ever opening weekend for the National Holiday, up 25% from last year despite a 75% capacity limitation across the country.

On Sep 17, IMAX announced the launch of the Filmed In IMAX program, in partnership with the world's leading camera manufacturers. Through the program, IMAX will certify high-end, best-in-class digital cameras with brands such as ARRI, Panavision, RED Digital Cinema, and Sony to work in the IMAX format when paired with its proprietary post-production process.

## Valuation

IMAX shares are down 21.6% in the year-to-date period and 24.1% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 6.1% while the same in the Zacks Consumer Discretionary sector are up 12.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are up 5.1% and 12.2%, respectively.

The S&P 500 index is up 16.3% in the year-to-date period and 16.5% in the past year.

The stock is currently trading at 3.27X trailing 12-month sales, which compares to 1.29X for the Zacks sub-industry, 2.69X for the Zacks sector and 4.33X for the S&P 500 index.

Over the past five years, the stock has traded as high as 6.65X and as low as 1.21X, with a 5-year median of 3.51X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$18 price target reflects 3.43X trailing 12-month sales.

The table below shows summary valuation data for IMAX

| Valuation Multiples - IMAX |               |       |              |        |         |
|----------------------------|---------------|-------|--------------|--------|---------|
|                            |               | Stock | Sub-Industry | Sector | S&P 500 |
| P/S F12M                   | Current       | 3.27  | 1.29         | 2.69   | 4.33    |
|                            | 5-Year High   | 6.65  | 2.13         | 2.9    | 4.34    |
|                            | 5-Year Low    | 1.21  | 0.55         | 1.7    | 3.17    |
|                            | 5-Year Median | 3.51  | 1.62         | 2.5    | 3.67    |
| EV/Sales TTM               | Current       | 3.11  | 1.5          | 3.68   | 4.37    |
|                            | 5-Year High   | 6.86  | 2.1          | 3.72   | 4.41    |
|                            | 5-Year Low    | 0.4   | 0.84         | 2.28   | 2.62    |
|                            | 5-Year Median | 3.3   | 1.42         | 3.37   | 3.58    |
| P/B TTM                    | Current       | 2.0   | 1.79         | 3.83   | 6.34    |
|                            | 5-Year High   | 5.2   | 4.2          | 4.85   | 6.4     |
|                            | 5-Year Low    | 0.69  | 0.81         | 2.24   | 3.74    |
|                            | 5-Year Median | 2.3   | 1.92         | 4.16   | 4.93    |

As of 12/22/2020

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Bottom 4% (246 out of 255)



## Top Peers

| Company (Ticker)                       | Rec          | Rank |
|----------------------------------------|--------------|------|
| AMC Networks Inc. (AMCX)               | Neutral      | 3    |
| Comcast Corporation (CMCSA)            | Neutral      | 3    |
| Cinemark Holdings Inc (CNK)            | Neutral      | 3    |
| Lions Gate Entertainment Corp. (LGF.A) | Neutral      | 3    |
| MSG Networks Inc. (MSGN)               | Neutral      | 4    |
| Netflix, Inc. (NFLX)                   | Neutral      | 3    |
| ViacomCBS Inc. (VIAC)                  | Neutral      | 4    |
| Dolby Laboratories (DLB)               | Underperform | 5    |

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

| Industry Comparison Industry: Film And Television Production And Distribution |          |            |           | Industry Peers |              |           |
|-------------------------------------------------------------------------------|----------|------------|-----------|----------------|--------------|-----------|
|                                                                               | IMAX     | X Industry | S&P 500   | AMCX           | DLB          | NFLX      |
| Zacks Recommendation (Long Term)                                              | Neutral  | -          | -         | Neutral        | Underperform | Neutral   |
| Zacks Rank (Short Term)                                                       | 4        | -          | -         | 3              | 5            | 3         |
| VGM Score                                                                     | F        | -          | -         | A              | C            | B         |
| Market Cap                                                                    | 943.54 M | 1.29 B     | 26.07 B   | 1.30 B         | 9.31 B       | 232.97 B  |
| # of Analysts                                                                 | 4        | 3          | 13        | 3              | 5            | 15        |
| Dividend Yield                                                                | 0.00%    | 0.00%      | 1.49%     | 0.00%          | 0.95%        | 0.00%     |
| Value Score                                                                   | F        | -          | -         | A              | D            | D         |
| Cash/Price                                                                    | 0.33     | 0.15       | 0.06      | 0.81           | 0.12         | 0.04      |
| EV/EBITDA                                                                     | 4.51     | 2.20       | 14.52     | 1.85           | 24.67        | 20.00     |
| PEG F1                                                                        | NA       | 0.85       | 2.81      | NA             | 2.38         | 2.80      |
| P/B                                                                           | 1.99     | 1.45       | 3.62      | 1.68           | 3.82         | 22.55     |
| P/CF                                                                          | 8.91     | 10.93      | 13.87     | 1.07           | 28.34        | 20.68     |
| P/E F1                                                                        | NA       | 21.26      | 22.02     | 4.59           | 30.95        | 84.15     |
| P/S TTM                                                                       | 4.60     | 1.19       | 2.83      | 0.46           | 8.01         | 9.78      |
| Earnings Yield                                                                | -11.67%  | 1.62%      | 4.36%     | 21.77%         | 3.24%        | 1.19%     |
| Debt/Equity                                                                   | 0.00     | 0.20       | 0.70      | 3.89           | 0.00         | 1.50      |
| Cash Flow (\$/share)                                                          | 1.80     | 1.02       | 6.93      | 29.42          | 3.27         | 25.49     |
| Growth Score                                                                  | F        | -          | -         | B              | B            | A         |
| Historical EPS Growth (3-5 Years)                                             | -6.74%   | -3.71%     | 9.71%     | 13.16%         | 6.80%        | 102.39%   |
| Projected EPS Growth (F1/F0)                                                  | -278.33% | 15.98%     | 1.22%     | -26.00%        | 0.88%        | 51.74%    |
| Current Cash Flow Growth                                                      | 18.50%   | 8.37%      | 5.23%     | 2.83%          | -3.61%       | 26.74%    |
| Historical Cash Flow Growth (3-5 Years)                                       | 8.55%    | 10.19%     | 8.33%     | 10.25%         | 5.53%        | 30.03%    |
| Current Ratio                                                                 | 1.17     | 1.24       | 1.39      | 2.43           | 5.79         | 1.24      |
| Debt/Capital                                                                  | 0.16%    | 51.17%     | 41.97%    | 81.10%         | 0.00%        | 60.07%    |
| Net Margin                                                                    | -50.83%  | -4.67%     | 10.40%    | 4.85%          | 19.91%       | 11.78%    |
| Return on Equity                                                              | -18.06%  | 1.70%      | 14.99%    | 53.93%         | 9.89%        | 31.48%    |
| Sales/Assets                                                                  | 0.20     | 0.55       | 0.50      | 0.52           | 0.40         | 0.66      |
| Projected Sales Growth (F1/F0)                                                | -66.58%  | 0.00%      | 0.39%     | -10.59%        | 3.81%        | 23.81%    |
| Momentum Score                                                                | D        | -          | -         | A              | B            | B         |
| Daily Price Change                                                            | 1.20%    | 0.00%      | -0.77%    | -0.57%         | -0.31%       | -0.30%    |
| 1-Week Price Change                                                           | 2.48%    | -0.96%     | 0.87%     | -0.34%         | 1.80%        | 6.21%     |
| 4-Week Price Change                                                           | 2.43%    | -2.92%     | 1.83%     | -4.49%         | 3.40%        | 9.21%     |
| 12-Week Price Change                                                          | 34.14%   | 4.23%      | 14.52%    | 28.09%         | 40.35%       | 6.86%     |
| 52-Week Price Change                                                          | -24.17%  | -17.87%    | 5.55%     | -20.13%        | 36.63%       | 58.26%    |
| 20-Day Average Volume (Shares)                                                | 832,574  | 617,942    | 2,035,313 | 1,162,006      | 518,283      | 3,489,751 |
| EPS F1 Estimate 1-Week Change                                                 | 0.00%    | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 0.06%     |
| EPS F1 Estimate 4-Week Change                                                 | 0.00%    | 0.00%      | 0.00%     | 20.25%         | 0.00%        | 0.09%     |
| EPS F1 Estimate 12-Week Change                                                | -28.91%  | 3.08%      | 3.79%     | 26.57%         | -10.93%      | -0.19%    |
| EPS Q1 Estimate Monthly Change                                                | 0.00%    | 0.00%      | 0.00%     | 0.00%          | 0.00%        | 0.34%     |

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    | F |
| Growth Score   | F |
| Momentum Score | D |
| VGM Score      | F |

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

---

## Disclosures

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

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

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

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

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

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

---

## Additional Disclosure

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

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

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

**Periods:**

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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