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Jun 29, 2021

Inogen Inc. (INGN)

$66.35 (As of 06/28/21)

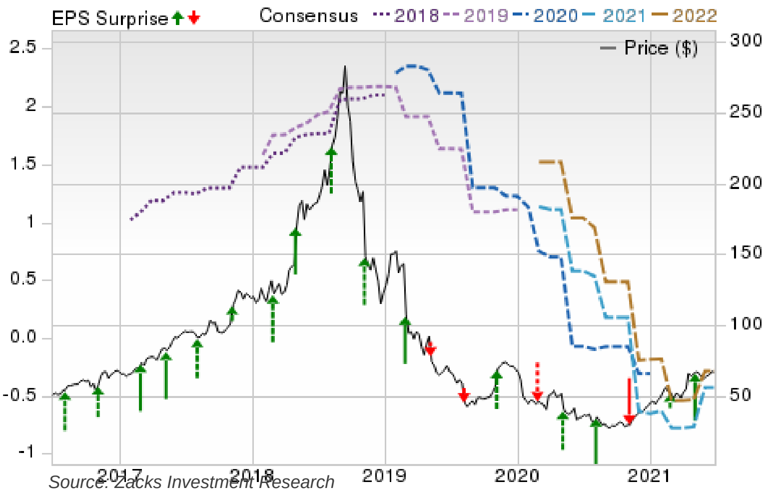
Price Target (6-12 Months): **$76.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/28/21) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**1-Strong Buy**
	Zacks Style Scores:	VGM:D
	Value: F | Growth: D	Momentum: B

Summary

Inogen saw growth in revenues within its Rental and domestic business-to-business segments in the first quarter of 2021. Sequential growth in total revenues is encouraging too. A solid product portfolio and its unique direct-to-customer business model act as catalysts. Significant gross margin expansion is another plus. A stable liquidity position is an added benefit. Inogen exited the first quarter on a strong note. Over the past six months, the company has outperformed the industry it belongs to. Yet, a fall in Inogen's international business-to-business revenues in the quarter and weakness in direct-to-consumer revenues during the period are concerning. The company could not come up with any guidance this time, raising apprehensions. Other headwinds like forex woes and rising costs persist.

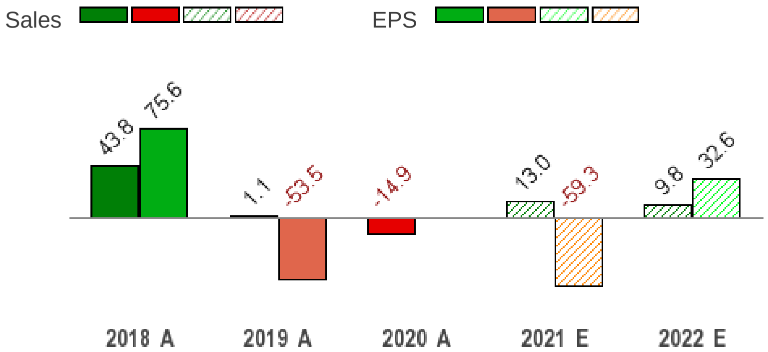
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$69.59 - $26.57**
20-Day Average Volume (Shares)	**165,595**
Market Cap	**$1.5 B**
Year-To-Date Price Change	**48.5%**
Beta	**0.92**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Medical - Instruments**
Zacks Industry Rank	**Bottom 22% (197 out of 251)**
Last EPS Surprise	**89.3%**
Last Sales Surprise	**8.4%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**08/03/2021**
Earnings ESP	**0.0%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**4.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	93 E	98 E	98 E	93 E	382 E
2021	87 A	88 E	88 E	85 E	348 E
2020	88 A	72 A	74 A	74 A	308 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	-$0.09 E	-$0.09 E	-$0.10 E	-$0.24 E	-$0.29 E
2021	-$0.03 A	-$0.13 E	-$0.11 E	-$0.16 E	-$0.43 E
2020	-$0.07 A	$0.12 A	-$0.08 A	-$0.23 A	-$0.27 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 06/28/2021. The report's text and the

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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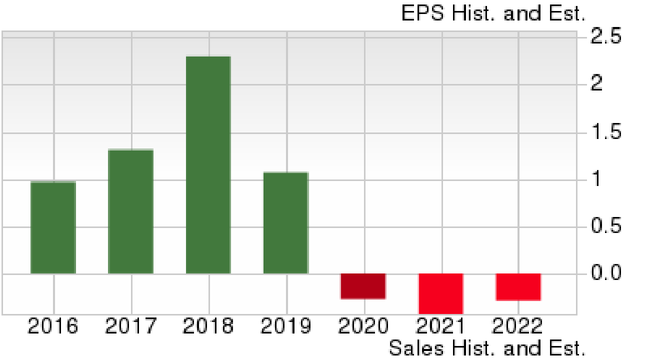
analyst-provided price target are as of 06/29/2021.

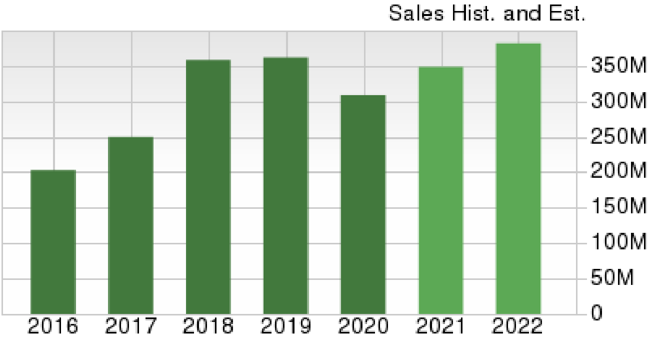
Overview

Goleta, CA-based Inogen Inc. develops, manufactures and markets portable oxygen concentrators (POC). POCs are used by patients who suffer from chronic respiratory conditions and need long-term oxygen therapy. POCs concentrate the air around the patient, filter out the nitrogen and other unwanted substances and deliver oxygen.

Inogen's flagship portable devices Inogen One G3 and G2 weigh approximately 4.8 and 7.0 pounds and have up to 4.5 and 5 hours of battery life, respectively. Being portable, these devices can be charged anywhere. Inogen began to follow a Direct-to-Consumer strategy post its acquisition of Comfort Life Medical Supply, LLC in 2009.

Inogen's expanding product portfolio is a key catalyst. The company provides oxygen concentrator solutions for portable and stationary use. Inogen's flagship product, One G4 is a single-solution portable oxygen concentrator (POC). Recently, the company launched the Inogen One G5 in the domestic business-to-business arm.Management also confirmed Inogen's plan of incorporating the Tidal Assist Ventilator directly into the Inogen One Portable Oxygen Concentrators and making the SideKick TAV product compatible with the Inogen At-Home Stationary Concentrator.





2020 at a Glance

Revenues were $308.5 million in 2020, down 14.8% from 2019.

Revenues at the Sales segment amounted to $280.2 million (91% of net sales), while Rental revenues were $28.3 million (9%).

Source: Zacks Investment Research

Reasons To Buy:

An expanding LTOT market, inherent benefits of POCs over traditional delivery model and direct-to-customer business model are Inogen's key growth catalysts. A strong product portfolio also raises optimism.

▲ **Share Price Performance:** Over the past six months, Inogen has outperformed the industry it belongs to. The stock has gained 51.2% compared with the industry's 2.6% rally. Inogen ended the first quarter of 2021 on a strong note. The company saw growth in revenues within its Rental and domestic business-to-business segments during the period. The significant expansion in gross margin is another plus. Sequential growth in total revenues is encouraging too.

A solid product portfolio and its unique direct-to-customer business model are Inogen's other strengths. A stable liquidity position is an added plus.

▲ **Unique Direct-to-Customer Business Model:** Direct-to-consumer sales revenues in the first quarter of 2021 improved on a sequential basis on the back of higher demand for POCs. Per management, this uptick was associated with higher vaccination rates within Inogen's patient population and the relaxation of COVID-19 PHE-related closure orders leading to increased ambulation, additional stimulus payments and improved consumer confidence. This increased demand resulted in improved sales representative performance metrics compared to the last three quarters in 2020.

Further, despite a soft show over the past two quarters on a year-over-year basis, Inogen's direct-to-customer business model has lent it a leading position in the oxygen therapy market. The model gives companies an opportunity to build a unique brand-relationship, directly with customers. The growing direct-to-customer sales and marketing efforts help in increasing awareness among patients. Growth in physician referrals in this segment is also expected to boost the top line over the long term.

▲ **Europe in Focus:** Inogen, which had witnessed revenue generation in Europe in the first half of 2020, is optimistic about an improvement in tender activities in the region as its partners to continue to adopt POCs. In fact, management expects to see a large long-term opportunity ahead, courtesy of the market transitions from tank and liquid oxygen systems to non-delivery solutions.

Further, in support of its European customers, Inogen began the production of its Inogen One G3 concentrators in 2020 using a contract manufacturer, Foxconn, located in the Czech Republic. Inogen also expects Foxconn to produce the vast majority of the Inogen One G3 concentrators required to support the European demand.

▲ **Product Portfolio Solid:** Inogen's expanding product portfolio is a key catalyst. The company provides oxygen concentrator solutions for portable and stationary use. Inogen's flagship product, One G4 is a single-solution POC. Notable products offered by the company include Inogen One G5 in the domestic business-to-business arm and Inogen One G3 POC. Inogen has officially launched the Inogen One G5 in its direct-to-consumer channel as well. Inogen At Home is aptly formulated for patients who need oxygen therapy during sleep.

Inogen, in the sequentially last-reported quarter, received confirmation that the Inogen One G5 POC was cleared for reimbursement in France and Germany. The company remains optimistic regarding prospects of its latest and highest output POC amid German customers.

Management also confirmed Inogen's plan of incorporating the Tidal Assist Ventilator directly into the Inogen One Portable Oxygen Concentrators and making the SideKick TAV product compatible with the Inogen At-Home Stationary Concentrator.

▲ **High Prospects in the POC Space & LTOT Market:** POCs solve most of the problems and limitations associated with conventional oxygen therapy (known as delivery model) that involves stationary oxygen concentrator systems for use in the home and oxygen tanks or cylinders for mobile use. POCs provide unlimited oxygen supply anywhere, thereby enhancing patient independence and mobility. The stimulus bill (passed in December 2020) includes two provisions associated with oxygen therapy with respect to reimbursement rates. Management at Inogen views both of these to have an incremental positive impact on its industry and POC adoption.

Moreover, POCs are less costly in comparison to traditional therapies as these systems do not require physical infrastructure and also because of the service intensity of the delivery model. We believe that the inherent benefits of Inogen One systems against the delivery model will help the company penetrate the Long-term Oxygen Therapy (LTOT) market much faster than its competitors.

In first-quarter 2021, domestic business-to-business revenues surged 11.6% on a year-over-year basis. Per management, this uptick in demand during the reported quarter was primarily on the back of greater demand for POCs for COVID-19 patients following hospital discharge.

▲ **Stable Liquidity Position:** Inogen exited the first quarter with cash and cash equivalents amounting to $233 million, up from $231 million in the preceding quarter. Meanwhile, the company had no outstanding debt in the fourth quarter, thereby indicating strong solvency. This is good news in terms of the company's solvency level as, at least during the year of uncertainty, the company has sufficient cash with no debt to repay.

Risks

- **Continued Pandemic-Led Adverse Results:** Inogen has been putting up a dismal overall performance over the past few months primarily due to the pandemic-led adverse business impacts. In the first-quarter 2021, Inogen witnessed a 1.8% drop in total revenues. The company saw softness in segmental revenues.

  Revenues at the Sales segment fell 7.2% on a year-over-year basis. International business-to-business sales in the first quarter of 2021 fell by 27.4% decrease at constant exchange rate (CER). The decline was primarily driven by continued impact of the pandemic with intermittent lockdowns in many European countries, along with reduced operational capacity of certain European respiratory assessment centers.

- **Escalating Expenses:** Inogen registered a rise in operating costs in the reported quarter. Research and development expenses rose 11.4% year over year. General and administrative expenses climbed 27.8% in the reported quarter. Operating loss was $2.1 million compared with operating loss of $2.2 million in the year-ago quarter. Although the operating loss was narrower in the reported quarter than that in the year-ago quarter, the continued loss is a matter of concern. Further, rising expenses leads to a significant pressure on the company's margins, raising apprehensions.

- **Headwinds Resulting From Medicare:** The Centers for Medicare & Medicaid Services (CMS) has issued a final rule which requires Medicare prior authorization (PA) for certain DMEPOS that the agency characterizes as "frequently subject to unnecessary utilization." The ruling does not create any new clinical documentation requirements, instead the same information necessary to support Medicare payment will be required prior to the item being furnished to the beneficiary.

  After a temporary pause, however, CMS resumed full operations for the national prior-authorization program for certain DMEPOS effective Aug 3, 2020. If Inogen's products are subject to prior authorization, it could reduce the number of patients qualified to come on service using their Medicare benefits. This could delay the start of those patients while the company waits for the prior authorization to be received. Further, it could decrease sales productivity. These could adversely affect the company's business, financial conditions and results of operations.

- **Forex Woes:** Inogen generates a significant portion of its revenues from the International market. Management expects international revenues to remain lumpy owing to the timing and size of the distributor. We also expect adverse foreign currency exchange rates to impede revenue growth in the near term owing to the strengthening of the U.S. dollar as against the Euro and other foreign currencies.

Last Earnings Report

Inogen Q1 Loss Narrower Than Expected, Revenues Beat

Quarter Ending	03/2021
Report Date	May 04, 2021
Sales Surprise	8.44%
EPS Surprise	89.29%
Quarterly EPS	-0.03
Annual EPS (TTM)	-0.22

Inogen reported first-quarter 2021 loss per share of 3 cents, narrower than the Zacks Consensus Estimate of a loss of 28 cents as well as the year-ago loss of 7 cents.

Revenues came in at $86.9 million, which beat the Zacks Consensus Estimate by 0.8%. On a year-over-year basis, the top line, however, dropped 1.8%, mainly due to the impact of the COVID-19 pandemic.

Segmental Details

Rental revenues grossed $9.9 million, up 84.2% from the year-ago period.

Sales revenues came in at $77.1 million, down 7.2%.

Revenues by Region & Category

Business-to-business revenues in the United States amounted to $30.7 million, up 11.6% on a year-over-year basis. Per management, this upside was driven by solid demand for POCs for COVID-19 patients upon hospital discharge.

Internationally, this segment recorded revenues of $15.7 million, down 21.7% year over year and 23% at CER. Per management, the decline was mainly due to the persistence of the pandemic with recurrent lockdowns in many European nations as well as reduced operational capacity of certain European respiratory assessment centers.

Direct-to-consumer revenues fell 13.8% year over year to $30.6 million in the quarter, attributable to lower average inside sales representative headcount stemming from COVID-19 adversity.

Margins

In the first quarter, gross profit was $39.9 million, up 3.9% year over year. Gross margin came in at 45.9%, up a significant 251 basis points.

Total operating costs came in at $42 million, up 3.6%.

Loss from operations in the quarter was $2.1 million, narrower than the year-ago quarter's operating loss of $2.2 million.

Cash Position

The company exited the first quarter of 2021 with cash and cash equivalents of $220 million compared with $211.9 million at the end of the fourth quarter of 2020.

Guidance

Due to the uncertainty emanating from the impact and scope of the COVID-19 pandemic, the company could not issue full-year outlook yet.

Valuation

Inogen's shares are up 48.8% and up 87.2% in the year-to-date and trailing 12-month periods, respectively. Stocks in the Zacks sub-industry are up 4.4% in the year-to-date period, while that in the Zacks Medical sector are up 1.9%. Over the past year, the Zacks sub-industry and sector are up 22.9% and up 6.9%, respectively.

The S&P 500 index is up 14.8% in the year-to-date period and up 40.4% in the past year.

The stock is currently trading at 4.1X Forward 12-months sales, which compares to 4.9X for the Zacks sub-industry, 2.7X for the Zacks sector and 4.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 14.9X and as low as 1.7X, with a 5-year median of 5.3X.

Our Outperform recommendation indicates that the stock will perform above the market. Our $76 price target reflects 4.7X forward 12-months sales.

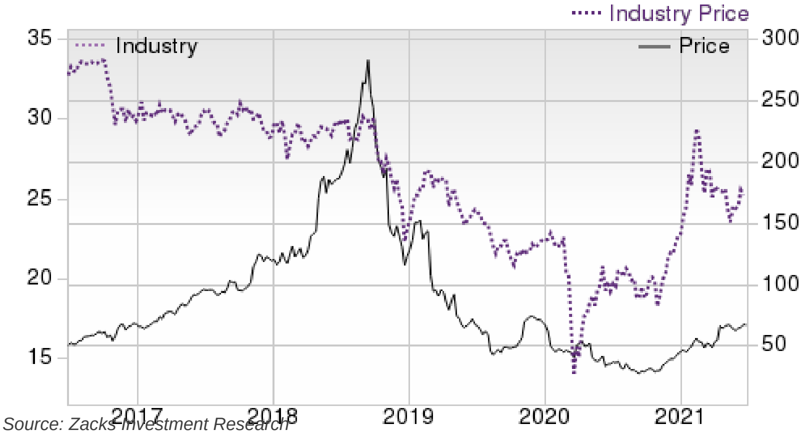
The table below shows summary valuation data for INGN.

Valuation Multiples - INGN

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	4.08	4.99	2.71	4.75
	5-Year High	14.90	4.99	3.17	4.75
	5-Year Low	1.73	2.58	2.27	3.21
	5-Year Median	5.30	3.61	2.78	3.72
P/B TTM	Current	4.17	4.87	4.55	7.12
	5-Year High	22.49	5.28	5.05	7.12
	5-Year Low	1.70	2.87	3.03	3.84
	5-Year Median	7.26	4.25	4.35	5.02

As of 06/28/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 22% (197 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AngioDynamics, Inc. **(ANGO)**	Neutral	3
Accuray Incorporated **(ARAY)**	Neutral	3
Integra LifeSciences Holdings Corporation **(IART)**	Neutral	3
Luminex Corporation **(LMNX)**	Neutral	3
Nevro Corp. **(NVRO)**	Neutral	3
ORTHOFIX MEDICAL INC. **(OFIX)**	Neutral	3
Tandem Diabetes Care, Inc. **(TNDM)**	Neutral	3
T2 Biosystems, Inc. **(TTOO)**	Neutral	4

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

Industry Comparison Industry: Medical - Instruments

Industry Peers

	INGN	X Industry	S&P 500	ANGO	LMNX	TNDM
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	D	-	-	D	C	B
Market Cap	1.49 B	429.93 M	30.38 B	1.05 B	1.74 B	6.23 B
# of Analysts	5	2	12	2	4	6
Dividend Yield	0.00%	0.00%	1.34%	0.00%	1.09%	0.00%
Value Score	F	-	-	D	C	D
Cash/Price	0.16	0.12	0.06	0.05	0.16	0.08
EV/EBITDA	94.19	-3.87	17.31	-7.13	22.13	-1,419.45
PEG F1	NA	4.04	2.10	NA	NA	NA
P/B	4.16	4.91	4.06	2.30	3.57	19.86
P/CF	115.08	32.13	17.45	37.76	32.82	NA
P/E F1	NA	41.81	21.17	238.61	39.37	1,243.63
P/S TTM	4.84	7.58	3.39	3.84	3.98	11.50
Earnings Yield	-0.65%	-1.62%	4.62%	0.44%	2.55%	0.08%
Debt/Equity	0.00	0.06	0.66	0.07	0.52	0.89
Cash Flow ($/share)	0.58	-0.15	6.86	0.73	1.12	-0.08
Growth Score	D	-	-	C	D	B
Historical EPS Growth (3-5 Years)	-16.07%	8.66%	9.59%	-30.40%	-18.57%	NA
Projected EPS Growth (F1/F0)	-59.26%	29.89%	21.79%	130.00%	192.19%	114.29%
Current Cash Flow Growth	-66.15%	-0.96%	1.02%	-52.40%	171.04%	-35.59%
Historical Cash Flow Growth (3-5 Years)	-11.90%	5.52%	7.34%	-13.80%	-2.62%	14.00%
Current Ratio	5.58	4.11	1.39	2.90	8.37	6.40
Debt/Capital	0.00%	9.55%	41.51%	6.19%	34.19%	47.20%
Net Margin	-1.62%	-22.60%	12.06%	-61.71%	5.39%	-4.53%
Return on Equity	-1.41%	-21.97%	16.59%	-0.05%	4.66%	-1.12%
Sales/Assets	0.66	0.46	0.51	0.46	0.54	0.79
Projected Sales Growth (F1/F0)	12.92%	17.21%	9.56%	3.77%	14.73%	26.66%
Momentum Score	B	-	-	D	A	A
Daily Price Change	-0.23%	0.00%	0.23%	-1.65%	0.16%	0.13%
1-Week Price Change	-0.67%	2.86%	1.56%	9.54%	-0.11%	5.97%
4-Week Price Change	7.35%	5.00%	2.06%	18.68%	-0.22%	16.51%
12-Week Price Change	27.38%	-1.81%	5.22%	16.42%	14.89%	15.60%
52-Week Price Change	90.01%	37.63%	40.53%	171.68%	22.17%	13.30%
20-Day Average Volume (Shares)	165,595	223,206	1,986,546	233,583	416,254	486,551
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	33.33%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	0.00%	1.36%	33.33%
EPS F1 Estimate 12-Week Change	44.87%	0.00%	3.61%	0.00%	1.36%	276.47%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	NA	0.00%	7.47%

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	F
Growth Score	D
Momentum Score	B
VGM Score	D

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

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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.

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

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.