

Inter Parfums, Inc. (IPAR)

\$75.31 (As of 04/21/21)

Price Target (6-12 Months): **\$79.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/04/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: C

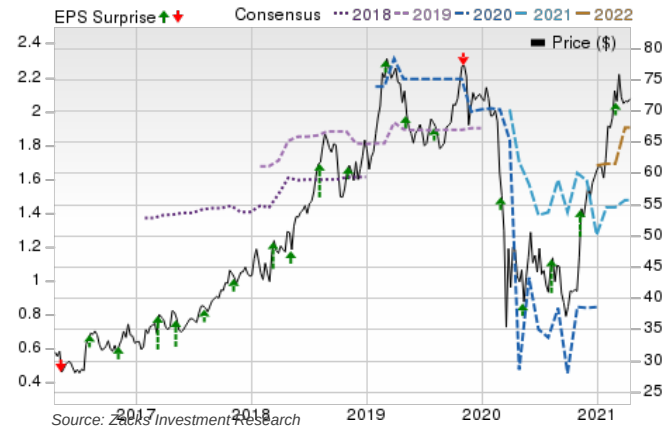
Growth: A

Momentum: A

Summary

Inter Parfums has outpaced the industry in the past three months. The company came out with robust sales numbers first-quarter 2021, which was followed by a raised 2021 view. Management noted that the company continued its revival trend, which was witnessed in the second half of 2020. A robust first-quarter performance despite major travel retail hurdles raises optimism about the ongoing year. Management expects 2021 net sales to be nearly \$700 million, while net income per share is expected to be \$1.65. Certainly, Inter Parfums has been benefiting from its focus on innovation and product launches. However, the company's gross margin declined in the fourth quarter of 2020. Moreover, management expects to see slight rise in fixed costs for 2021 due to unwinding of certain steps that were undertaken in 2020 to minimize the impacts of the pandemic.

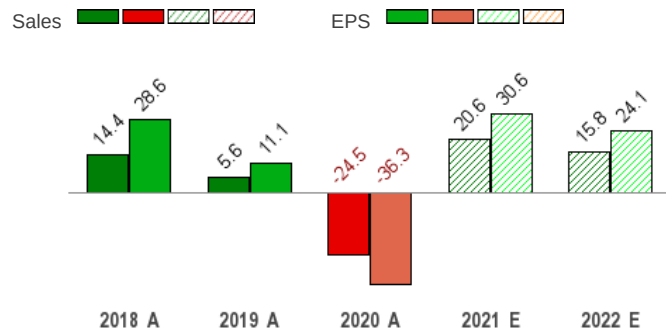
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$77.84 - \$36.46
20-Day Average Volume (Shares)	62,057
Market Cap	\$2.2 B
Year-To-Date Price Change	15.7%
Beta	0.95
Dividend / Dividend Yield	\$1.00 / 1.3%
Industry	Cosmetics
Zacks Industry Rank	Bottom 5% (241 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.8%
Last Sales Surprise	0.0%
EPS F1 Estimate 4-Week Change	13.6%
Expected Report Date	05/10/2021
Earnings ESP	0.0%
P/E TTM	57.8
P/E F1	50.9
PEG F1	4.1
P/S TTM	4.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	184 E	155 E	202 E	211 E	753 E
2021		139 E	184 E	187 E	650 E
2020	145 A	50 A	161 A	184 A	539 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.63 E	\$0.34 E	\$0.68 E	\$0.38 E	\$1.96 E
2021	\$0.40 E	\$0.23 E	\$0.55 E	\$0.31 E	\$1.58 E
2020	\$0.32 A	-\$0.10 A	\$0.52 A	\$0.47 A	\$1.21 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, except sales and EPS estimates, is as of 04/21/2021. The report's text, and the analyst-provided sales estimates, EPS estimates and price target are as of 04/22/2021.

Overview

Inter Parfums, Inc. is engaged in the manufacturing, distribution and marketing of a wide range of fragrances and related products. Organized as per the laws of the State of Delaware in May 1985, the company was formerly known as Jean Philippe Fragrances, Inc. In July 1999, the company changed its name to Inter Parfums, Inc.

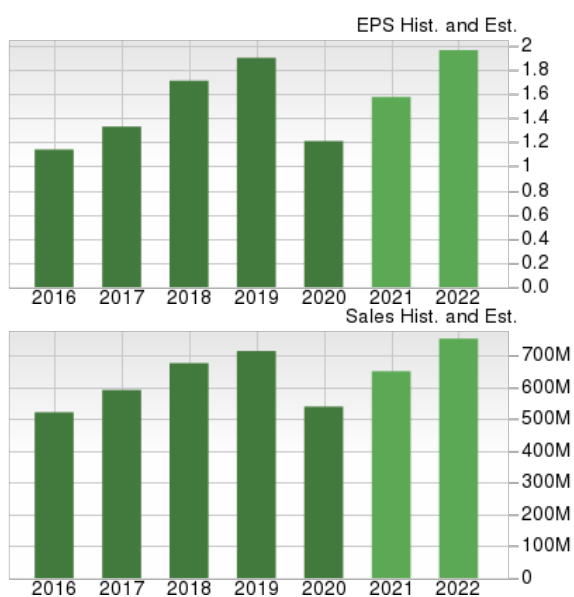
The company manages its business through two operational units — European-based operations and United States-based operations. In context with the European unit, the company produces and distributes products through license agreements with other brands. Certain prestige fragrance products of the company are marketed by its owned subsidiary in Paris, Interparfums SA.

Some of the well-known brands of the company in the European unit are Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont and Van Cleef & Arpels. Markedly, sales through European operations contributed nearly 80% to net sales in 2018.

Additionally, products sold and marketed under the United States operations unit are either owned by the company or through licensing agreements. The unit contributed nearly 20% to the company's sales in 2018. Some of the established brands in this category are Abercrombie & Fitch, Agent Provocateur, Anna Sui, bebe, Dunhill, Hollister, French Connection, Graff, GUESS, Lily Aldridge and Oscar de la Renta.

It is important to note that the company does not own any manufacturing facilities. Inter Parfums acts as a general contractor by sourcing the required components from suppliers. The components are assembled at distribution centers, which are then sent to third-party fillers. The third-party fillers manufacture the finished products for Inter Parfums and deliver the same to distribution centers.

The company sells its products mainly through department stores, specialty stores, perfumeries, domestic and international wholesalers, and distributors.



Reasons To Buy:

- ▲ **Solid Q1 Sales:** Shares of the company have surged 24.5% in the past three months compared with the industry's growth of 18.8%. The company came out with robust sales numbers first-quarter 2021, which was followed by a raised 2021 view. Management noted that the company continued its revival trend, which was witnessed in the second half of 2020. Net sales for the three months ended Mar 31, 2021, surged 37.1% to \$198.5 million compared with \$144.8 million recorded in the year-ago period. At comparable exchange rates, consolidated net sales advanced 32.7%. Markedly, first-quarter 2021 sales also exceeded first-quarter 2019 sales by 11.4%, which indicates a better performance from the pre-pandemic level. During the first quarter of 2021, European product sales surged 40% to \$159.7 million and U.S.-based product sales soared 26.2% to \$38.8 million from the year-ago period.

Inter Parfums is optimistic about its recent strategic partnerships with Origines-parfums and Moncler SpA.

In European operations, Montblanc, Jimmy Choo, Coach, and Lanvin brands registered sales growth of 27.4%, 66.7%, 8.8% and 91.2%, respectively. Moving to the U.S. operations, which also recorded robust growth in the quarter under review, the company benefited from strength in GUESS, Abercrombie & Fitch, Hollister and Dunhill brands. Also, the debut of MCM signature scent toward the end of the first quarter also led to the upside.

- ▲ **Raised 2021 Outlook:** Courtesy of steady orders, existing inventory levels and some better visibility into the future, management now anticipates 2021 net sales to be nearly \$700 million, while net income per share is expected to be \$1.65. On its fourth-quarter earnings call, management projected net sales in the range of \$650-\$660 million and net income in a band of \$1.40-1.45 per share. We note that the latest view is based on the assumption of no major resurgence in coronavirus cases and the current level of the average dollar/euro exchange rate.
- ▲ **Product Launches on Track:** Inter Parfums' focus on product launches to boost assortment strength is impressive. Progressing along these lines, the company recently debuted Kate Spade New York — first new fragrance for the brand for its European operations. Notably, the scent is already available in major department stores, beauty retailers as well as online in the United States. Further, Kate Spade New York will be launched across Asia, the Middle East and Latin America in the second quarter of 2021. During the first half of the year, Montblanc is scheduled to add an extension to its Explorer collection for men. Under the Jimmy Choo fragrance portfolio, the successful launch of I Want Choo in the first quarter of 2021 has been noteworthy.

In its U.S. operations, the debut of MCM signature scent toward the end of the first quarter boosted sales in the quarter. We note that the global rollout of the product is now underway. Further, initial sales of Bella Vita under the GUESS brand boosted first-quarter 2021 sales. Management earlier said that Bella Vita will also introduce Effect, complete men's fragrance and grooming collection during the start of mid-year. Anna Sui Sky, which was first launched in China and Hong Kong at the end of 2020, is now set to be rolled out across Asia and other markets. Further, management on April 20 said that other than the ongoing rollouts of its newer programs in European operations, it has a new Lanvin women's line coming up, together with brand extensions for Montblanc Explorer, Jimmy Choo Urban Hero and Coach Dreams. In U.S. operations, the company plans shipments of a new duo for the Abercrombie & Fitch brand, as well as Dunhill's new Driven collection for men, in the second quarter of 2021.

- ▲ **Strategic Partnership Holds Key to Growth:** Inter Parfums is optimistic about its strategic partnerships with Origines-parfums as well as Moncler SpA. Interparfums SA, a subsidiary of Inter Parfums, signed an agreement with renowned luxury brand, Moncler SpA in June 2020. The deal gives Inter Parfums rights to fragrance-related items in Moncler monobrand stores along with few other specialty shops, department stores and duty-free shops. In fact, the first scent from the Moncler brand is expected to launch at the start of first-quarter 2022.

In June, 2020 Inter Parfums' subsidiary acquired 25% of Divabox's capital. Notably, Divabox is the owner of Origines-parfums, which is a renowned French company in the online beauty market. The deal will enhance Inter Parfums' fragrance line and product range alongside pushing its digital development, courtesy of Origines-parfums' solid customer expertise. Well, management is on track to expand its business through new licenses or acquisitions.

- ▲ **Financial Analysis:** Inter Parfums' long-term debt (less current portion) totaled \$10.1 million at the end of fourth-quarter 2020 (as of Dec 31, 2020), below \$19.4 million reported at the end of the third quarter. Further, the company ended fourth-quarter with cash and cash equivalents of \$169.7 million, while current portion of its long-term debt stood at \$14.6 million.

The company also reinstated its cash dividend, which will be payable quarterly at the annual rate of \$1.00 per share. Management paid its quarterly dividend of 25 cents per share on Mar 31, 2021 to shareholders of record on Mar 15. Earlier, Inter Parfums had suspended its dividend to perverse its financial position amid the coronavirus outbreak. Inter Parfums currently has a free cash flow yield of 2.4%, dividend yield of 1.4% and dividend payout of 82.6%. With an annual free cash flow return on investment of 8.2%, which is ahead of the industry's nearly 4.6%; the dividend is likely to be sustainable.

Reasons To Sell:

- ▼ **Drab Gross Margin:** Inter Parfums' fourth-quarter 2020 gross margin came in at 63.9%, down from 64.5% posted in the year-ago quarter. Moreover, the company's gross margin for 2020 declined to 61.4% from 62.5% reported in the prior year. Notably, 2020 gross margin in the European operations were down year over year thanks to unfavorable foreign currency rates among others. Further, gross margin also declined for its U.S. operations during the year. Persistence of this trend is a concern for the company's performance.
- ▼ **High Costs a Worry:** In its last earnings call, Inter Parfums' highlighted that, for 2021, it expects slight increase in fixed expenses due to unwinding of certain steps that were undertaken in 2020 to minimize the impacts of the pandemic. Apart from this, owing to increased product launches in 2021, management expects spending 21% of net sales for advertising and promotion, which is included in SG&A expenses. Clearly, increase in such expenses is likely to dent the company's margin.
- ▼ **Risk of Operating in Overseas Markets:** Inter Parfums' performance might be largely affected by its presence in the international markets, which exposes it to the risk of unfavorable foreign-currency translations, economic or political instability, and other governmental actions on trade and repatriation of foreign profits. We believe that the above-mentioned factors pose threats to the company's performance in the future.
- ▼ **Stiff Competition:** The cosmetics segment is rife with competition, thanks to the existence of strong peers as well as abundant product alternatives. Cheaper alternatives may hinder customers' loyalty, thus impacting the sale of the company's products.

Inter Parfums' gross margin declined year over year in the fourth quarter of 2020. Also, high fixed costs is a worry.

Last Earnings Report

Inter Parfums Q4 Earnings Beat Estimates, Sales Up Y/Y

Inter Parfums delivered robust fourth-quarter 2020 results, with the top and the bottom line increasing year over year. Further, sales were in line with the Zacks Consensus Estimate, while earnings beat the same.

Quarter in Detail

Inter Parfums posted net income per share of 47 cents, which surpassed the Zacks Consensus Estimate of 44 cents. Moreover, the metric increased from 26 cents per share reported in the year-ago quarter.

Net sales amounted to \$184 million, up 3.5% (unchanged year over year at constant currency) from \$177.8 million reported in the year-ago quarter. The metric was in line with the Zacks Consensus Estimate of \$184 million. The company's Europe-based operations registered net sales of \$139.6 million in the fourth quarter, which increased 8.1% year over year. In U.S.-based operations, net sales declined 8.8% to \$44.4 million during the quarter.

The company's largest European brands Montblanc, Jimmy Choo and Coach registered comparable sales growth of 9.8%, 13.4%, and 18.0%, respectively, during the quarter. Notably, no new products were launched in the brands during the period. Further, management is impressed with the preliminary sales of Anna Sui Sky.

Further, gross margin was 63.9%, down from 64.5% posted in the year-ago quarter. SG&A expenses amounted to \$91.2 million, down from \$102.3 million reported in the year-ago quarter. As a percentage of net sales, SG&A expenses were 49.5%. The metric declined from 57.6% in the prior-year quarter.

Operating income came in at \$26.5 million up significantly from \$12.3 million reported in the year-ago quarter. Further, operating margin was 14.4%, up from year-ago quarter's reported figure of 6.9%.

Other Financial Aspects

The company ended the quarter with cash and cash equivalents of \$169.7 million, long-term debt (excluding current portion) of \$10.1 million and shareholder's equity of \$535.8 million.

The company also reinstated its cash dividend, which will be payable quarterly at the annual rate of \$1.00 per share. Management will pay its upcoming quarterly dividend of 25 cents per share on Mar 31, 2021 to shareholders of record on Mar 15. Earlier, Inter Parfums suspended its dividend to perverse its financial position amid the coronavirus outbreak

Guidance

The company gained increased visibility since it provided its initial 2021 guidance, on the back of inflow of orders for established brands as well as the addition of Kate Spade New York and MCM brand sales. Also, favorable indications from its distribution network were a reason. Incidentally, management raised its 2021 view.

For 2021, management now expects net sales in the range of \$650-\$660 million. Earlier, it had anticipated net sales for 2021 in a band of \$610-\$625 million. The estimate takes into account negligible travel retail sales.

Further, the company expects slight increase in fixed expenses due to unwinding of certain steps that were undertaken in 2020 to minimize the impacts of the pandemic. Owing to increased product launches in 2021, management expects spending 21% of net sales for advertising and promotion, which is included in SG&A expenses.

The company now envisions net income in the band of \$1.40-\$1.45 per share. Earlier, the metric was expected in the range of \$1.20-\$1.25 per share.

Quarter Ending	12/2020
Report Date	Mar 01, 2021
Sales Surprise	0.01%
EPS Surprise	6.82%
Quarterly EPS	0.47
Annual EPS (TTM)	1.21

Recent News

Inter Parfums Posts Solid Q1 Sales & Raises 2021 View - Apr 20, 2021

Inter Parfums came out with impressive sales numbers for the first quarter of 2021, which was followed by a raised guidance for 2021. Courtesy of steady orders, existing inventory levels and some better visibility into the future, management now anticipates 2021 net sales to be nearly \$700 million, while net income per share is expected to be \$1.65. On its fourth-quarter earnings call, management projected net sales in the range of \$650-\$660 million and net income in a band of \$1.40-1.45 per share. We note that the latest view is based on the assumption of no major resurgence in coronavirus cases and the current level of the average dollar/euro exchange rate.

Net sales for the three months ended Mar 31, 2021, surged 37.1% to \$198.5 million compared with \$144.8 million recorded in the year-ago period. At comparable exchange rates, consolidated net sales advanced 32.7%. Markedly, first-quarter 2021 sales also exceeded first-quarter 2019 sales by 11.4%, which indicates a better performance from the pre-pandemic level. During the first quarter of 2021, European product sales surged 40% to \$159.7 million and U.S.-based product sales soared 26.2% to \$38.8 million from the year-ago period.

In European operations, Montblanc, Jimmy Choo, Coach, and Lanvin brands registered sales growth of 27.4%, 66.7%, 8.8% and 91.2%, respectively. Sales at Montblanc and Lanvin brands were backed by strength in legacy scents, with the latter seeing solid growth in key markets — Asia and Eastern Europe. Sales growth at the Coach brand resulted from favorable currency movements as well as higher sales volumes. Jimmy Choo sales were aided by robust sales of established Jimmy Choo scents, together with the successful launch of I Want Choo in the quarter under review. Apart from these, impressive initial sales of Kate Spade New York and Rochas Girl also backed first-quarter sales.

Moving to the U.S. operations, which also recorded robust growth in the quarter under review, the company's largest brand, GUESS, continued gaining on legacy fragrance sales as well as the initial distribution of Bella Vita. Moreover, solid replenishment orders for Abercrombie & Fitch's Authentic Night duo, which debuted last year, aided growth. Sales of the Hollister brand were led by Canyon Escape duo shipments. Additionally, the Dunhill brand delivered a strong show, thanks to its new signature scent. The debut of MCM signature scent toward the end of the first quarter also led to the upside. We note that the global rollout of the product is now underway.

In U.S. operations, the Anna Sui brand witnessed a sequential sales decline, as the launch of Sky in the fourth quarter of 2020 largely boosted sales in that quarter. Also, Anna Sui sales were hurt by the soft travel retail/duty-free market. Nonetheless, the company has considerable Anna Sui open orders and remains well placed for improved sales in the brand as the year proceeds.

Management said that other than the ongoing rollouts of its newer programs in European operations, it has a new Lanvin women's line coming up, together with brand extensions for Montblanc Explorer, Jimmy Choo Urban Hero and Coach Dreams. In U.S. operations, the company plans shipments of a new duo for the Abercrombie & Fitch brand, as well as Dunhill's new Driven collection for men, in the second quarter of 2021.

Inter Parfums' Subsidiary Acquires Office Building Complex – Apr 12, 2021

Inter Parfums' Paris-based subsidiary — Interparfums SA — concluded the acquisition of its envisioned headquarters from property developer, Apsys. The property, located at 10 rue de Solferino in the 7th arrondissement of Paris, consists of three buildings that are joined by two inner courtyards. The property's purchase price of nearly \$149 million is in line with its market value.

The new headquarters will enable Inter Parfums to host all teams in one location by the spring of 2022. This will promote enhanced flexibility and pleasant working environment. The company will redevelop the site keeping in mind elements of comfort and include features like temperature control.

Valuation

Inter Parfums' shares are up 24.5% in the year-to-date period and 85.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 12.5% and the Zacks Consumer Staples sector gained 4.3% in the year-to-date period. Over the past year, the Zacks sub-industry is up 76.1%, while the sector gained 27%.

The S&P 500 index is up 11% in the year-to-date period and 50.7% in the past year.

The stock is currently trading at 46.88X forward 12-month earnings, which compares to 47.39X for the Zacks sub-industry, 20.74X for the Zacks sector and 22.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 51X and as low as 18.3X, with a 5-year median of 31.8X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$79 price target reflects 49.22X forward 12-month earnings.

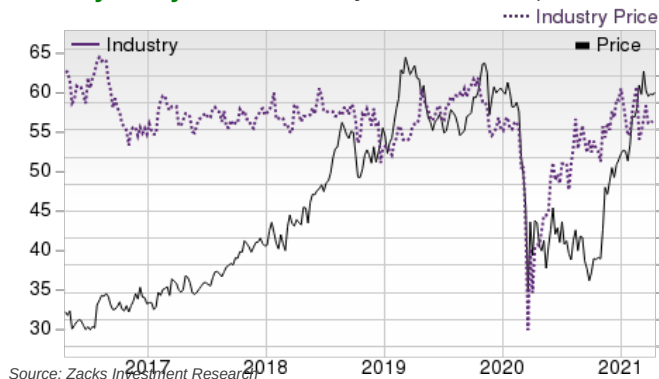
The table below shows summary valuation data for IPAR

Valuation Multiples - IPAR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	46.88	47.39	20.74	22.9
	5-Year High	51	47.39	22.4	23.83
	5-Year Low	18.3	19.65	16.52	15.3
	5-Year Median	31.8	26.58	19.53	18.01
P/S F12M	Current	3.43	7.83	10.45	4.77
	5-Year High	3.64	7.83	11.96	4.77
	5-Year Low	1.53	1.53	8.6	3.21
	5-Year Median	2.41	3.08	10.41	3.71
EV/EBITDA F12M	Current	19.04	26.67	35.6	17.2
	5-Year High	20.67	32.48	37.91	18.8
	5-Year Low	7.33	8.72	25.83	13.02
	5-Year Median	13.41	18.36	34.1	15.76

As of 04/21/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 5% (241 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
The Estee Lauder Companies Inc. (EL)	Outperform	2
Coty Inc. (COTY)	Neutral	3
e.l.f. Beauty Inc. (ELF)	Neutral	3
Helen of Troy Limited (HELE)	Neutral	4
L'Oreal SA (LRLCY)	Neutral	3
MANDOM CORP (MDOMF)	Neutral	4
Nu Skin Enterprises, Inc. (NUS)	Neutral	4
Revlon, Inc. (REV)	Neutral	4

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

Industry Comparison Industry: Cosmetics				Industry Peers		
	IPAR	X Industry	S&P 500	EL	HELE	NUS
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	4	4
VGM Score	A	-	-	C	B	A
Market Cap	2.21 B	2.57 B	30.14 B	112.25 B	5.64 B	2.78 B
# of Analysts	4	3	12	11	3	4
Dividend Yield	1.43%	0.00%	1.25%	0.69%	0.00%	2.78%
Value Score	C	-	-	F	B	A
Cash/Price	0.13	0.07	0.06	0.05	0.03	0.16
EV/EBITDA	26.08	26.08	17.29	61.48	27.09	8.01
PEG F1	4.07	4.87	2.38	4.87	2.48	NA
P/B	3.14	3.90	4.06	20.57	4.66	3.11
P/CF	50.23	28.38	17.06	52.67	22.85	10.43
P/E F1	50.83	44.64	22.05	51.92	19.85	13.83
P/S TTM	4.11	1.80	3.46	7.91	2.77	1.08
Earnings Yield	2.12%	2.12%	4.40%	1.93%	5.04%	7.22%
Debt/Equity	0.01	0.36	0.66	0.90	0.36	0.34
Cash Flow (\$/share)	1.50	1.15	6.78	5.88	10.07	5.21
Growth Score	A	-	-	A	B	A
Historical EPS Growth (3-5 Years)	7.00%	-0.07%	9.39%	10.68%	11.93%	2.65%
Projected EPS Growth (F1/F0)	21.90%	17.86%	15.97%	44.66%	0.03%	8.95%
Current Cash Flow Growth	-31.45%	5.76%	0.72%	-16.30%	13.99%	6.05%
Historical Cash Flow Growth (3-5 Years)	3.66%	4.22%	7.37%	6.03%	4.22%	2.26%
Current Ratio	3.85	1.56	1.39	1.90	1.82	1.66
Debt/Capital	1.42%	30.19%	41.19%	47.38%	26.59%	25.46%
Net Margin	7.09%	1.97%	10.60%	6.54%	11.25%	7.41%
Return on Equity	5.95%	5.52%	15.09%	35.27%	24.39%	23.09%
Sales/Assets	0.67	0.77	0.51	0.77	0.97	1.41
Projected Sales Growth (F1/F0)	24.31%	8.45%	7.53%	11.27%	-1.18%	7.58%
Momentum Score	A	-	-	B	F	D
Daily Price Change	7.65%	0.07%	1.24%	0.14%	-0.41%	-0.62%
1-Week Price Change	0.71%	0.52%	1.43%	3.37%	8.06%	2.34%
4-Week Price Change	8.72%	8.73%	7.02%	8.73%	11.23%	7.09%
12-Week Price Change	20.28%	11.57%	15.76%	31.38%	-12.45%	-3.38%
52-Week Price Change	67.84%	57.99%	58.99%	86.69%	70.44%	115.12%
20-Day Average Volume (Shares)	62,057	49,630	1,778,154	1,024,169	214,801	359,820
EPS F1 Estimate 1-Week Change	13.56%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	13.56%	-0.13%	0.07%	0.09%	-0.91%	-0.13%
EPS F1 Estimate 12-Week Change	31.89%	-0.36%	1.97%	13.90%	-2.55%	6.43%
EPS Q1 Estimate Monthly Change	7.89%	0.00%	0.00%	0.35%	NA	0.00%

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	C
Growth Score	A
Momentum Score	A
VGM Score	A

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

Disclosures

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.