

Jones Lang LaSalle (JLL)

\$201.99 (As of 06/18/21)

Price Target (6-12 Months): **\$229.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 05/07/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: C

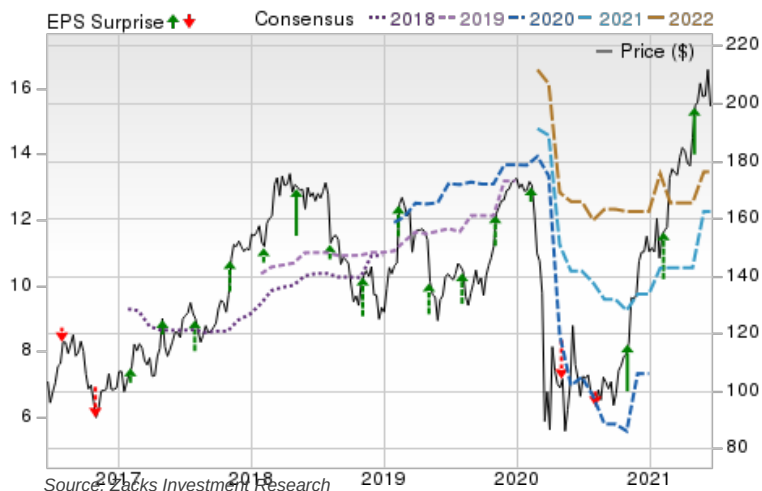
Growth: F

Momentum: C

Summary

Shares of Jones Lang LaSalle have outperformed the industry in the past three months. Recent trend in earnings estimate revisions for 2021 indicates a favorable outlook for the company with the consensus mark moving north. Notably, the company continues to benefit from sustained resilience of Property & Facility Management, highlighting strength of its global platform, while transaction-based service lines reflect improving economic conditions. Technology investments and cost-mitigation efforts also augur well. With a decent balance-sheet strength and focused investment strategy, the company is poised to gain from market consolidations. While limited business travel and substantial part of the work force being out of their offices are concerns, vaccine distributions and economic recovery in some parts across the world are raising hopes.

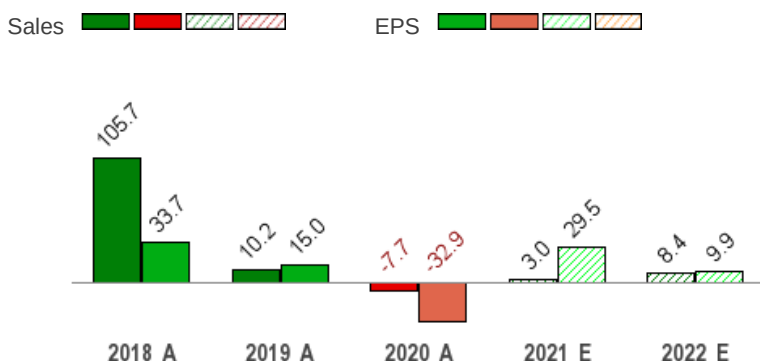
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$212.95 - \$87.67
20-Day Average Volume (Shares)	334,584
Market Cap	\$10.2 B
Year-To-Date Price Change	34.1%
Beta	1.41
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Real Estate - Operations
Zacks Industry Rank	Bottom 19% (204 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	250.0%
Last Sales Surprise	7.5%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	08/05/2021
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	4,023 E	4,088 E	4,421 E	5,371 E	18,532 E
2021	4,037 A	3,936 E	4,245 E	5,101 E	17,093 E
2020	4,096 A	3,670 A	3,978 A	4,845 A	16,590 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.48 E	\$1.83 E	\$3.32 E	\$6.85 E	\$13.46 E
2021	\$2.10 A	\$1.37 E	\$3.01 E	\$6.21 E	\$12.25 E
2020	\$0.49 A	\$0.70 A	\$2.99 A	\$5.29 A	\$9.46 A

*Quarterly figures may not add up to annual.

P/E TTM	18.0
P/E F1	16.5
PEG F1	1.8
P/S TTM	0.6

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/18/2021. The report's text and the

analyst-provided price target are as of 06/21/2021.

Overview

Chicago-based Jones Lang LaSalle Incorporated — popularly known as JLL — is a leading full-service real estate firm that provides corporate, financial and investment management services to corporations and other real estate owners, users, and investors worldwide. The company divides its business into two primary segments: Real Estate Services (RES) and Investment Management (IM).

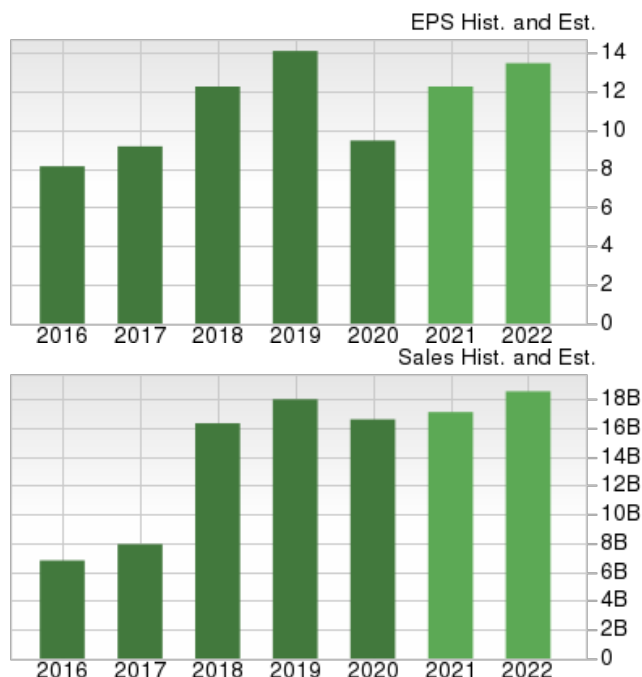
The RES segment is subdivided into three geographic regions – the Americas, EMEA (Europe, the Middle East, Africa) and the Asia Pacific. The company offers leasing, capital markets and hotels, property and facility management, project and development services and advisory, consulting and other services, both locally and globally under its Real Estate Services segment.

The IM division is referred to as LaSalle Investment Management and provides real estate investment-management services to institutional and retail investors, including high-net-worth individuals.

With annual revenues of \$16.6 billion, JLL is a Fortune 500 company, having operations in more than 80 countries, as well as global workforce of more than 91,000 as of Mar 31, 2021. The company is an industry leader in property and corporate facility management services.

Moreover, on Jul 1, 2019, JLL announced the completion of its acquisition of HFF Inc. This cash-and-stock transaction, valued at about \$1.8 billion and first announced in March 2019, came as part of JLL's effort to substantially boost its Capital Markets business.

Notably, HFF offered clients a fully-integrated capital market platform, including debt placement, investment advisory, equity placement, funds marketing, merger and acquisitions (M&A) and corporate advisory, loan sales and commercial loan servicing. The company has closed more than \$800 billion in excess of 27,000 transactions since 1998 and generated revenues of more than \$650 million in 2018. Therefore, following the acquisition, with a global team of more than 3,700 capital market professionals across 47 countries, JLL now has a superior ability to offer capital-market services and expertise to its clients.



Reasons To Buy:

- ▲ JLL has a broad range of real estate product and services as well as an extensive knowledge of domestic and international real estate markets, thus enabling it to operate as a single-source provider of real estate solutions. The company is focused on balanced revenue growth across profitable markets. Also, its superior client services and strategic investment in technology and innovation are expected to help grow market share and win relationships. In fact, strategic investments made on the technology front helped the company to well navigate the past year. Moreover, prudent cash management efforts are likely to support the company's bottom-line performance.
- ▲ JLL continues to invest strategically so as to capitalize on market consolidations. The company's superior operating platform and market share expansion have helped it achieve strong growth as well as a decent cash level. In fact, over the past years, the company completed several strategic acquisitions as part of its global growth strategy, thereby expanding its capabilities in certain service offerings. In July 2019, JLL announced about its completion of HFF Inc.'s acquisition. This transformative acquisition bolstered full-service Capital Markets business. Also, incorporating HFF into JLL's full-service global platform offered significant cross sell opportunities. Moreover, the company's data-driven and experiential technology platform is providing a competitive edge and is leading to increased client engagements, which is encouraging.
- ▲ After a dismal 2020, the global economy experienced modest growth in the first quarter, though it was concentrated in a small number of large economies. However, the acceleration of vaccination programs global government stimulus programs across the globe are likely to support the recovery, with anticipations of robust growth in the rest of the current year. Moreover, key global central banks are likely to continue to hold short-term policy rates at low levels, thereby supporting the real estate industry. Moreover, investment sales continued to show signs of recovery, with global declining 13% compared with the prior-year quarter, after a 21% slip in the fourth quarter and 44% drop in the third quarter, reflecting liquidity and capital flows' steady improvement.
- ▲ JLL's Corporate Solutions business, which is the company's multi-service outsourcing business, and includes integrated Facility Management and Corporate Solutions-related services from Leasing, Project & Development, as well as Advisory & Consulting, is well poised to capitalize on the favorable trends. In fact, amid rising trend of outsourcing of real estate needs by companies, new contract wins and expansion of services with existing clients are likely to aid JLL's performance in the upcoming period. Also, amid the pandemic, Corporate Solutions continued to show its resiliency as a scaled global platform and the business continues to generate new client wins and expansions, which includes advising on reentry strategies and protocols.
- ▲ JLL is focused on maintaining balance-sheet strength and adequate liquidity to enjoy operational flexibility. The company exited first-quarter 2021 with \$2.9 billion of liquidity, with 87% available on its \$2.75 billion revolving credit facility. Notably, in April, JLL announced amendment of its bank credit facility to maintain the company's operating flexibility and support its growth strategy. Recently, the company also renewed the credit facility under basically the same terms but extending the maturity date 3 years to April 2026. The company also enjoys investment grade ratings — Moody's: Baa1 and S&P: BBB+ — which highlights the financial and balance-sheet strength. Hence, with a solid balance sheet and sufficient financial flexibility as well as manageable debt maturities, JLL remains well poised to sail through the challenging times and capitalize on solid opportunities.
- ▲ Shares of JLL have gained 13.5% over the past three months, as against the industry's decline of 3.7%. Moreover, the recent trend in earnings estimates revisions for 2021 indicates a favorable outlook for JLL. Over the past two months, the Zacks Consensus Estimate for JLL's 2021 earnings has been revised 16.2% upward. Therefore, given the progress on fundamentals and upward estimate revisions, the stock has decent upside potential for the near term.

JLL's wide range of product & services and spate of strategic investment activities to capitalize on market consolidations augur well. Also, its robust balance sheet, with a manageable debt position, is impressive.

Risks

- The pandemic has resulted in uncertainty, interruption of business activities and substantial impact on global markets as well as on consumer and business sentiment. Though things are improving from the onset, the global economic recovery remains uneven with continued uncertainty. JLL too has not been spared and the company's transaction-based service lines continue to face broad-based pressure as a result of the pandemic. Also, in the LaSalle segment, the lower level of transaction activity caused by the pandemic is expected to continue in the near term.
 - JLL has been focused on consistently raising dividend since 2011 and aimed at enhancing shareholders' value. However, concurrent with the first-quarter 2020 earnings, the company noted that its board will not announce a semi-annual dividend, usually paid in June. Furthermore, in the foreseeable future, management does not expect to resume paying a dividend, but rather plans to return cash to shareholders via share repurchases.
 - Intense competition from international, regional and local players in the market is a concern. In addition, given its international presence, JLL often faces unfavorable foreign currency movements, impacting its top-line growth. Moreover, the Real Estate Services business segment is also cyclical in nature and experiences fluctuations in revenues and operating margins. This, in turn, could affect the long-term earnings expectations of the company.
-

Last Earnings Report

Jones Lang LaSalle Q1 Earnings & Revenues Top Estimates

Jones Lang reported first-quarter 2021 adjusted earnings of \$2.10 per share, handily beating the Zacks Consensus Estimate of 60 cents. Revenues for the quarter came in at \$4.04 billion, surpassing the Zacks Consensus Estimate of \$3.75 billion.

Continued strength of Americas Corporate Solutions helped drive Property & Facility Management growth, while transaction-based service lines reflect improving economic conditions, highlighted by solid recovery in Asia Pacific. Moreover, the company's overall margin expansion included valuation increases to JLL Technologies' strategic proptech investments, Year-over-year changes in loan loss credit reserves and the fair value of LaSalle's co-investment portfolio as well as cost-mitigation benefits.

According to Christian Ulbrich, JLL CEO, "Our strong first-quarter results demonstrated JLL's commitment to delivering value to stakeholders across our global, scaled platform and reflected our investments in technology growth initiatives while prudently managing expenses."

On a year-over-year basis, first-quarter adjusted earnings per share were well above the 49 cents reported in the prior-year quarter.

However, revenues edged down 1% year on year, while fee revenues slipped 4% year over year to \$1.4 billion. Apart from this, adjusted EBITDA margin, calculated on a fee-revenue basis, was 13.2% compared with the prior-year quarter's 6.4%.

Behind the Headline Numbers

During the March-end quarter, JLL's Real Estate Services (RES) revenues dropped 1% year over year to \$3.95 billion. Results reflect the continued impact of the pandemic. Particularly, decent growth in Asia Pacific was more than offset by declines in Americas and EMEA. In addition, Corporate Solutions continued to deliver stable fee revenue performance as strength in facilities management offset the decline in Project & Development Services.

In the Americas, revenues and fee revenues came in at \$2.4 billion and \$832.7 million, respectively, reflecting a 3% and 9% year-over-year decline. While the Americas transaction-based service lines continued to be affected by the pandemic, the decline in U.S. leasing was particularly less significant than the recent quarters. Also, soft investment sales and debt placement activity hurt Capital Market revenues, while the multi-family business continued to deliver a stable revenue performance. Also, new client wins and expansions of existing Corporate Solutions client relationships helped the Property & Facility Management segment register stellar revenue and fee revenue growth.

Revenues and fee revenues of the EMEA segment came in at \$716.2 million and \$311.5 million, down 5% and 0.3%, respectively, from the year-ago period, reflecting the adverse impact of the pandemic. This region reported largely stable transaction-based revenues as substantial growth in some geographies, highlighted by Switzerland, was offset by geographies that witnessed more restrictive lock-down measures. Decline in Project & Development Services reflect lower activity in the fit-out business and substantial prior-year project activity in MENA that did not repeat this quarter. Apart from this, Property & Facility Management was affected by a decrease in fee revenues from the U.K. mobile engineering business.

For the Asia-Pacific segment, revenues and fee revenues came in at \$785.8 million and \$213.2 million, respectively, marking a year-over-year increase of 10% and 20%. Rebound in transaction-based revenues, along with continued stability in Corporate Solutions, aided double-digit fee revenue growth. Revenue expansion in Capital Markets were driven by an increase in large-deal transactions, mainly in Singapore and Australia. A pick-up in office volumes, principally in Greater China drove leasing. Solid expansion in Valuations Advisory, particularly in Greater China and Australia, steered Advisory, Consulting and Other performance.

Revenues in the LaSalle segment slid 13% year over year to \$91.2 million, while fee revenues declined 13% to \$85.3 million. Pandemic-driven valuation declines in assets under management over the trailing 12 months largely attributed to this decline in LaSalle advisory fees. Moreover, transaction and incentive fees underlined decreased acquisition/transaction activity in 2021.

At the end of first-quarter 2021, assets under management were \$70.9 billion, up 3% from the last quarter end, reflecting acquisitions, foreign-currency increases and net valuation increases, partially offset dispositions and withdrawals.

Liquidity

JLL exited first-quarter 2021 with cash and cash equivalents of \$456.6 million, down from \$574.3 million as of Dec 31, 2020. Additionally, as of Mar 31, 2021, the company's net debt amounted to \$670.3 million, marking an increase of \$478.2 million from the end of December, reflecting typical seasonality, driven by annual incentive compensation payments made in the first quarter. However, it declined \$843.2 million from Mar 31, 2020 due to substantial cash collections in 2020 as well as lower incentive compensation payments this year compared with the prior-year period.

Quarter Ending	03/2021
Report Date	May 05, 2021
Sales Surprise	7.52%
EPS Surprise	250.00%
Quarterly EPS	2.10
Annual EPS (TTM)	11.08

Recent News

JLL Hires Kylie Kendrick as Chief Operating Officer - Jun 2, 2021

JLL announced has appointed Kylie Kendrick as the chief operating officer (COO) effective June 7. Kendrick joins JLL from HSBC in London where she was the managing director — Global Head of Wholesale Banking Operations, with an experience of more than 16 years of driving operational excellence.

She will be responsible for enhancing efficiency through robust and disciplined operational processes, and will have direct supervision for numerous of the company's corporate functions, including Audit, Legal & Compliance and Sourcing & Procurement, as well as JLL Business Services (JBS) and Transformation Office.

JLL Boosts Financial Flexibility With Bank Credit Facility Amendment - Apr 15, 2021

JLL announced amendment of its bank credit facility to maintain the company's operating flexibility and support its growth strategy. While the borrowing capacity remains unchanged at \$2.75 billion, the new five-year term extends the maturity from May 2023 to April 2026. Furthermore, the facility includes incentives linked to achieving certain sustainability goals.

JLL Unveils Commercial Partnership & Strategic Investment in Roofstock – Mar 3, 2021

JLL has announced a multi-faceted transaction with Roofstock, which is an innovative proptech and reputed online marketplace in the dynamic single-family rental (SFR) sector. Particularly, the deal comprised a strategic minority investment in Roofstock by JLL as well as commercial partnership which enables JLL to increase its service offerings in the residential sector.

Moreover, as part of the deal, Roofstock has acquired Stessa, which is the asset management software-as-a-service solution for SFR investors. Notably, since January 2018, it had been owned by JLL's technology division, JLL Technologies (JLLT).

Dividend Update

On Nov 5, 2019, JLL announced a common stock dividend of 43 cents per share. The dividend was paid on Dec 13, to shareholders of record on Nov 15, 2019. Notably, total 2019 dividends of 86 cents per share increased 5% from 2018. However, concurrent with the first-quarter 2020 earnings, the company stated that its board will not announce a semi-annual dividend, historically paid in June.

Valuation

JLL's shares have been up 93.9% over the trailing 12-month period. Stocks in the Zacks sub-industry have gained 60.7%, while in the Zacks Finance sector have increased 40.2% over the past year.

The S&P 500 Index has been up 35.7% over the trailing 12-month period.

The stock is currently trading at 15.52X forward 12-month earnings, which compares to 29.41X for the Zacks sub-industry, 15.89X for the Zacks sector and 21.36X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 18.39X and as low as 5.99X, with a 5-year median of 12.91X. Our outperform recommendation indicates that the stock will perform better than the market. Our \$229 price target reflects 17.86X earnings.

The table below shows summary valuation data for JLL.

Valuation Multiples - JLL					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	15.52	29.41	15.89	21.36
	5-Year High	18.39	34.16	17.25	23.83
	5-Year Low	5.99	11.76	11.6	15.31
	5-Year Median	12.91	16.21	14.94	18.05
P/S F12M	Current	0.57	3.3	8.56	4.63
	5-Year High	0.94	4.41	8.56	4.74
	5-Year Low	0.23	2.13	5.08	3.21
	5-Year Median	0.47	3.07	6.21	3.72
P/B TTM	Current	1.79	0.72	3.26	6.93
	5-Year High	2.38	0.84	3.43	7.08
	5-Year Low	0.81	0.28	1.77	3.84
	5-Year Median	1.72	0.62	2.64	5.02

As of 06/18/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 19% (204 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
CBRE Group, Inc. (CBRE)	Neutral	2
Cushman & Wakefield PLC (CWK)	Neutral	3
FirstService Corporation (FSV)	Neutral	2
Marcus & Millichap, Inc. (MMI)	Neutral	2
Newmark Group, Inc. (NMRK)	Neutral	3
The RMR Group Inc. (RMR)	Neutral	3
Walker & Dunlop, Inc. (WD)	Neutral	3
Colliers International Group Inc. (CIGI)	Underperform	5

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

Industry Comparison Industry: Real Estate - Operations				Industry Peers		
	JLL	X Industry	S&P 500	CBRE	CIGI	CWK
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	2	-	-	2	5	3
VGM Score	D	-	-	C	D	C
Market Cap	10.21 B	656.00 M	29.25 B	28.99 B	5.01 B	3.93 B
# of Analysts	4	2	12	4	2	4
Dividend Yield	0.00%	0.00%	1.38%	0.00%	0.09%	0.00%
Value Score	C	-	-	C	C	C
Cash/Price	0.04	0.19	0.06	0.07	0.03	0.26
EV/EBITDA	12.01	11.42	16.74	16.85	19.10	16.21
PEG F1	1.83	2.05	2.04	2.05	NA	1.55
P/B	1.79	1.43	3.99	3.99	8.12	3.55
P/CF	12.57	12.68	16.91	16.27	26.19	22.80
P/E F1	16.49	21.62	20.66	22.55	23.04	15.49
P/S TTM	0.62	3.01	3.31	1.21	1.71	0.50
Earnings Yield	6.16%	4.50%	4.76%	4.43%	4.34%	6.47%
Debt/Equity	0.18	0.21	0.66	0.25	1.23	2.92
Cash Flow (\$/share)	15.83	0.45	6.83	5.31	4.35	0.77
Growth Score	F	-	-	C	D	C
Historical EPS Growth (3-5 Years)	8.70%	7.18%	9.59%	11.00%	-9.52%	NA
Projected EPS Growth (F1/F0)	29.52%	29.56%	21.58%	17.13%	18.42%	40.43%
Current Cash Flow Growth	-16.95%	-23.44%	0.99%	-1.11%	-11.43%	-59.14%
Historical Cash Flow Growth (3-5 Years)	6.45%	12.85%	7.28%	11.89%	14.04%	20.65%
Current Ratio	2.17	1.86	1.39	1.37	0.93	1.37
Debt/Capital	15.34%	20.93%	41.51%	23.49%	66.31%	74.48%
Net Margin	3.03%	3.53%	11.95%	3.54%	1.67%	-2.32%
Return on Equity	10.66%	4.03%	16.48%	16.81%	8.84%	-17.07%
Sales/Assets	1.22	0.16	0.51	1.42	0.93	1.10
Projected Sales Growth (F1/F0)	3.03%	0.00%	9.41%	8.24%	21.29%	3.82%
Momentum Score	C	-	-	F	D	B
Daily Price Change	-0.95%	0.00%	-1.31%	-1.11%	-0.43%	-2.87%
1-Week Price Change	-5.98%	-1.02%	-1.91%	-2.65%	-3.59%	-4.19%
4-Week Price Change	-3.82%	0.51%	0.25%	-0.94%	4.65%	-5.06%
12-Week Price Change	9.88%	0.00%	4.83%	9.19%	10.77%	6.34%
52-Week Price Change	90.61%	34.47%	34.50%	84.77%	87.46%	38.63%
20-Day Average Volume (Shares)	334,584	26,128	1,830,063	1,449,783	42,380	1,251,117
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	16.22%	0.27%	3.48%	3.65%	-18.20%	12.50%

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%	:	0.00%	:	0.00%	:	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	F
Momentum Score	C
VGM Score	D

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 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.