

## JPMorgan Chase & Co. (JPM)

**\$165.00** (As of 06/08/21)

Price Target (6-12 Months): **\$173.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 06/08/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

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

**3-Hold**

Zacks Style Scores:

VGM:F

Value: F

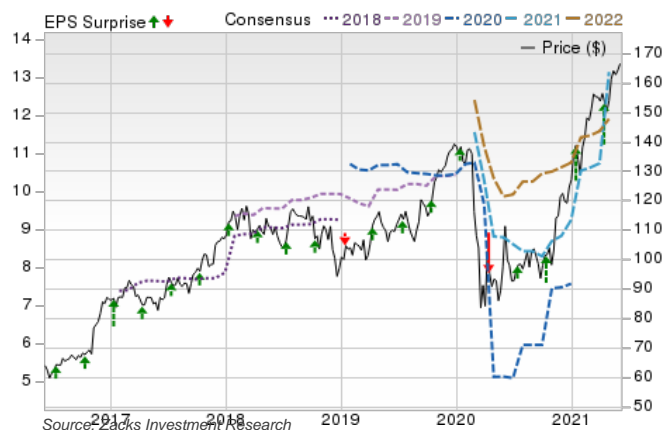
Growth: F

Momentum: D

### Summary

JPMorgan's shares have outperformed the industry over the past 12 months. The company has an impressive earnings surprise history. The company's earnings have surpassed the Zacks Consensus Estimate in each of the trailing four quarters. Branch openings in new regions, inorganic expansion strategies and strong mortgage banking business are expected to keep aiding financials in the upcoming quarters. Also, JPMorgan's impressive capital deployments reflect earnings strength and solid balance sheet and will enhance shareholder value. While robust economic recovery will likely lead to rise in demand for loans, coronavirus-induced economic downturn that hampered business activities continues to hurt loan demand. The Federal Reserve's accommodative policy and near-zero rates are likely to hamper interest income and margins, going forward.

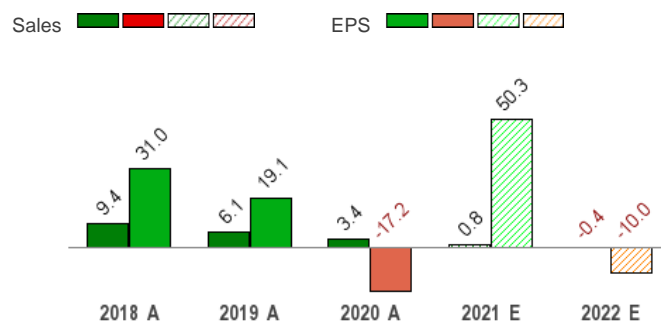
### Price, Consensus & Surprise



### Data Overview

52-Week High-Low	<b>\$167.44 - \$90.78</b>
20-Day Average Volume (Shares)	<b>10,792,959</b>
Market Cap	<b>\$499.5 B</b>
Year-To-Date Price Change	<b>29.9%</b>
Beta	<b>1.21</b>
Dividend / Dividend Yield	<b>\$3.60 / 2.2%</b>
Industry	<b>Banks - Major Regional</b>
Zacks Industry Rank	<b>Bottom 47% (132 out of 251)</b>

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



Last EPS Surprise	<b>47.5%</b>
Last Sales Surprise	<b>7.3%</b>
EPS F1 Estimate 4-Week Change	<b>-0.6%</b>
Expected Report Date	<b>07/14/2021</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>13.1</b>
P/E F1	<b>12.4</b>
PEG F1	<b>2.5</b>
P/S TTM	<b>3.8</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	30,974 E	30,764 E	30,095 E	30,329 E	119,994 E
2021	32,266 A	30,492 E	29,260 E	29,182 E	120,451 E
2020	28,251 A	32,980 A	29,147 A	29,224 A	119,543 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$3.08 E	\$3.06 E	\$3.02 E	\$3.02 E	\$12.02 E
2021	\$4.50 A	\$3.09 E	\$2.93 E	\$2.92 E	\$13.35 E
2020	\$0.78 A	\$1.38 A	\$2.92 A	\$3.79 A	\$8.88 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/08/2021. The report's text and the analyst-provided price target are as of 06/09/2021.

## Overview

Headquartered in New York, JPMorgan Chase & Co. is one of the biggest global banks with assets valued at \$3.69 trillion and stockholders' equity worth \$280.7 billion as of Mar 31, 2021. With operations in more than 60 countries, the company (incorporated under Delaware law in 1968) is one of the largest financial service firms in the world.

JPMorgan organizes its business through following five reportable segments:

Consumer & Community Banking (CCB) segment (constituting 14.7% of total assets in 2020) serves consumers and businesses through personal service at bank branches and through ATMs, online, mobile and telephone banking. CCB is organized into Consumer & Business Banking, Mortgage Banking, and Card & Auto.

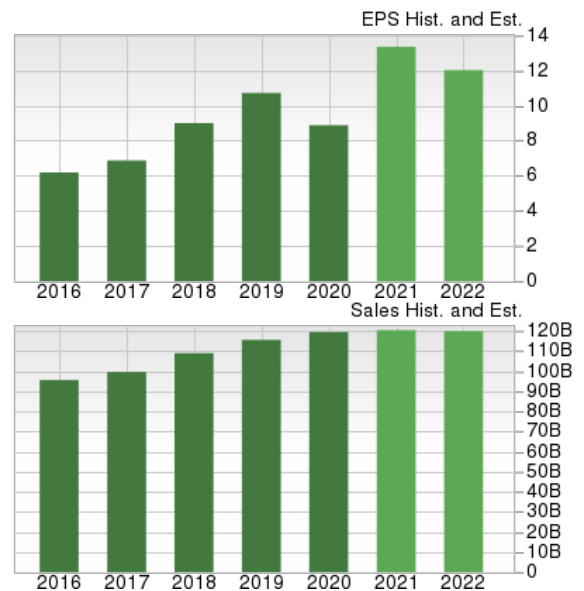
Corporate & Investment Bank (CIB) segment (32.4%) offers a wide range of investment banking (IB), market-making, prime brokerage, and wholesale payments services to a global client base of corporations, investors, financial institutions, government and municipal entities.

Commercial Banking (CB) segment (6.8%) provides lending, wholesale payments, and investment banking services to corporations, municipalities, financial institutions and non-profit entities.

Asset & Wealth Management (AWM) segment (6%) provides services to institutions, retail investors and high-net-worth individuals. It offers global investment management in equities, fixed income, real estate, hedge funds, private equity and liquidity including money market instruments and bank deposits. The segment also offers trust and estate, banking and brokerage services.

Corporate segment (40.1%) consists of Treasury & Chief Investment Office (CIO) and Other Corporate, which includes corporate staff units and centrally managed expenses.

In 2019, JPMorgan acquired InstaMed Holdings Inc.



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## Reasons To Buy:

- ▲ JPMorgan is expanding its footprint in new regions by opening branches. In 2018, the bank had announced plans enter 15-20 new markets by opening roughly 400 new branches. The company has already made substantial progress on this front, having added almost 200 new branches and “expect to be in all contiguous 48 states by mid-2021.” In addition to enhancing market share, the strategy will help the bank grab cross-selling opportunities by increasing its presence in the card and auto loan sectors. Also, the acquisition of InstaMed enabled the company to expand into the attractive U.S. healthcare payments market. These initiatives are, thus, expected to further support the CCB segment.
- ▲ JPMorgan remains focused on acquiring the industry's best deposit franchise and strengthening its loan portfolio. Despite a challenging operating environment, deposits and loan balances have remained strong over the past several years. As of Mar 31, 2021, loans to deposits totaled 44%. Though demand for loan has been weak of late, the same is expected to improve in the later part of this year once the economy revives and business activities resume full-fledged.
- ▲ Solid performance of JPMorgan's mortgage banking operation is a catalyst. Mortgage fees and related income witnessed a four-year (2017-2020) compound annual growth rate (CAGR) of 24.1%. The momentum continued in the first quarter of 2021. While the bank continues to face difficulties in expanding the mortgage business owing to increase in competition, historically low mortgage rates are expected to keep driving a substantial rise in refinancing activities and improvement in origination volumes.
- ▲ JPMorgan has a solid balance sheet position. As of Mar 31, 2021, the company had total debt worth \$829.8 billion, of which nearly \$550 billion was short term in nature. The company's cash and cash equivalents & due from banks, and deposits with banks stood at \$711.1 billion on the same date. Further, the company's times interest earned and total debt/total equity of 9.8 and 49.9% at the end of first quarter, respectively, have improved sequentially. Thus, given the favorable factors and earnings strength, JPMorgan will be able to meet the debt obligations even if the economic situation worsens.
- ▲ Amid the coronavirus-induced mayhem, the Federal Reserve had restricted dividends and share repurchases by major banks in order to conserve liquidity last year. Thus, JPMorgan continued to pay quarterly dividend of 90 cents per share and did not buyback shares till December 2020-end. Nonetheless, following the Fed's second round of stress test and subsequent approval, the company has resumed repurchases. For 2021, the company has authorized to repurchase shares worth up to \$30 billion, of which up to \$7.4 billion is authorized for the current quarter after paying dividend of 90 cents per share. Thus, given a solid liquidity position and earnings strength, JPMorgan is expected to continue to enhance shareholder value through efficient capital deployment activities.
- ▲ JPMorgan's trailing 12-month return on equity (ROE) reflects its growth potential. The company's ROE of 16.66% compares favorably with 10.65% for the industry. This shows it is more efficient in using shareholder funds as compared with its peers.
- ▲ JPMorgan's shares have outperformed the industry over the past year. Also, the company's earnings estimates for 2021 have moved 16% upward over the past 60 days. So, given the strong fundamentals and positive estimate revisions, the stock has decent upside potential left.

JPMorgan's robust loan and deposit balances, strategic acquisitions, strong liquidity position and initiatives to expand the branch network in new markets will continue supporting profitability.

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### Reasons To Sell:

- ▼ After slashing rates thrice in 2019, the Federal Reserve cut the interest rates to near zero in March 2020, with an aim to support the U.S. economy from the coronavirus-induced mayhem. This has hurt JPMorgan's net interest income (NII) growth and resulted in contraction of net yield on interest-earning assets over the past several quarters. A similar trend is expected to continue in the near term as the central bank has signaled no rate hike anytime soon. Management anticipates NII to be approximately \$55 billion in 2021, up modestly from the 2020 level.
- ▼ Further, JPMorgan's significant dependence on capital markets performance to generate fee income is a matter of concern. Global economic slowdown amid coronavirus-related mayhem will likely result in extreme volatility in the company's markets and IB performances. Thus, this is expected to make fee income growth challenging, going forward.
- ▼ Further, JPMorgan seems overvalued than the industry. Its current price-to-book and PEG ratios are above the respective industry averages.

Near-zero interest rates and coronavirus-related economic slowdown will hurt JPMorgan's financials in the upcoming quarters. Also, fee income growth challenges are major concerns for the bank.

## Last Earnings Report

### JPMorgan Q1 Earnings Beat on Reserve Release, Fee Income

Large reserve releases, along with solid capital markets performance, drove JPMorgan's first-quarter 2021 earnings of \$4.50 per share. The bottom line handily outpaced the Zacks Consensus Estimate of \$3.05.

Results included credit reserve releases and the contribution to the company's foundation. Excluding these, earnings amounted to \$3.31 per share. The company had earned 78 cents in the prior-year quarter.

During the quarter, the company reported credit reserve releases. In a statement, the CEO Jamie Dimon said, "These results include a benefit from credit reserve releases of \$5.2 billion that we do not consider core or recurring profits. We believe our credit reserves of \$26 billion are appropriate and prudent, all things considered."

As expected, fixed income markets revenues increased 15%, driven by strong performance in securitized products and credit. Likewise, equity markets revenues surged 47% on the back of solid performance across products. Also, historically lower rates drove mortgage fees and related income to \$704 million, soaring 120%.

Further, equity and debt underwriting fees surged 219% and 17%, respectively. Additionally, continued stellar deal making activities during the quarter led JPMorgan to record a 35% rise in advisory fees. Hence, investment banking fees jumped 57% from the prior-year quarter.

Among other positives, Asset & Wealth Management average loan balances grew 18% from the year-ago quarter. Credit card sales volume rose 3%.

However, low interest rates and soft loan demand hurt interest income. Also, operating expenses witnessed a rise. Further, Commercial Banking average loan balances were down 2% year over year.

Overall performance of JPMorgan's business segments, in terms of net income generation, was decent. All segments reported an increase in net income on a year-over-year basis. However, the Corporate segment's loss widened.

Net income increased substantially from the prior-year quarter to \$14.3 billion.

### Fee Income Aids Revenues, Costs Rise

Net revenues as reported were \$32.3 billion, up 14% from the year-ago quarter. The improvement reflects higher trading, mortgage and investment banking fees, while lower interest rates were an offsetting factor. Also, the top line beat the Zacks Consensus Estimate of \$30.1 billion.

Net interest income declined 11% year over year to \$12.9 billion. Conversely, non-interest income surged 40% to \$19.4 billion, mainly driven by mortgage banking, investment banking and principal transactions performance.

Non-interest expenses (on managed basis) were \$18.7 billion, up 12% from the year-ago quarter. The rise was primarily due to higher volume- and revenue-related expenses, and continued investments in business.

### Credit Quality: Mixed Bag

Provision for credit losses was a net benefit \$4.2 billion against a provision of \$8.3 billion in the prior-year quarter. Further, net charge-offs decreased 28% to \$1.1 billion.

As of Mar 31, 2021, non-performing assets were \$10.3 billion, which was up 45% from Mar 31, 2020 level.

### Solid Capital Position

Tier 1 capital ratio (estimated) was 15.0% at first quarter-end compared with 13.3% on Mar 31, 2020. Tier 1 common equity capital ratio (estimated) was 13.1%, up from 11.5%. Total capital ratio was 17.2% (estimated) compared with 15.5% as of Mar 31, 2020.

Book value per share was \$82.31 as of Mar 31, 2021 compared with \$75.88 in the corresponding period of 2020. Tangible book value per common share was \$66.56 at the end of March, up from \$60.71.

### Share Repurchase Update

During the quarter, JPMorgan repurchased shares worth \$4.3 billion. It must be noted that the company resumed buybacks following approval for the same from the Federal Reserve in December 2020.

### 2021 Outlook

Management anticipates NII to be approximately \$55 billion, down marginally from prior guidance of \$55.5 billion. Nonetheless, this is up slightly from \$54.6 billion in 2020. The rise is likely to be driven by steepening of the yield curve, higher markets NII, strong deposit growth and improvement in loan demand in the second half of the year, partially offset by lower rates.

On the cost front, the company expects expenses to be \$70 billion, up from previous guidance of \$68 billion. The year-over-year rise in expenses

Quarter Ending	03/2021
Report Date	Apr 14, 2021
Sales Surprise	7.30%
EPS Surprise	47.54%
Quarterly EPS	4.50
Annual EPS (TTM)	12.59

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is largely due to "revenue and volume-related expenses" and the impact of foreign exchange as well as expenses related to the acquisition of cxLoyalty. Also, the bank plans to make investments worth \$12.4 billion during the year, largely related to business expansions and technology upgrades.

Further, management expects meaningful increase in NCOs in the second half of 2021 and this could be even later with the recent stimulus. Also, card NCOs are projected to be almost 2.5%.

### **Second-Quarter 2021 Outlook**

The company expects IB fees to be in line with the prior-year quarter, while the overall pipeline is likely to remain robust. Further, merger and acquisitions (M&As) and equity capital markets momentum are expected to continue.

### **Segment Outlook Under Normalized Environment**

For CCB, ROE is projected to be nearly 25% and overhead ratio of 50-55%. Further, NCOs are likely to be higher in the second half of 2021 compared with the first half.

For CIB, ROE is expected to be approximately 16% and revenues roughly \$43 billion, with overhead ratio of nearly 54%.

After recording impressive gross IB revenues of \$3.3 billion in fourth-quarter 2020, management now expects the same to be \$4 billion in the long-term. Further, the company maintained long-term target of \$1 billion each for expansion in markets revenues and international revenues.

For CB, ROE is expected to be approximately 18% and overhead ratio of nearly 40%.

For AWM, revenue growth is expected to be 5% and both pre-tax margin as well as ROE of roughly 25%.

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## Recent News

### JPMorgan Plans to Launch Digital Consumer Banking in Britain – Jan 27, 2021

JPMorgan plans to launch a digital retail bank in the U.K. in coming months. Under the Chase brand, the company will offer products and features customized to meet the clients' needs, which will be delivered through an innovative mobile app.

Sanoke Viswanathan has been appointed CEO of the digital bank. He was previously Chief Administrative Officer and Head of Strategy at the company's Corporate & Investment Bank.

The digital bank is headquartered at Canary Wharf, London. The customers will be served by "a purpose-built customer contact centre in Edinburgh." The company intends to provide a wide-range of products "starting with a new take on current accounts."

The operation has already created 400 jobs in the country and has plans to hire more as the business grows. Besides, one of the JPMorgan's U.K. based subsidiary is licensed to run the business, which will be regulated by both the Prudential Regulation Authority and the Financial Conduct Authority.

Gordon Smith, CEO of Consumer & Community Banking and co-President of JPMorgan Chase said, "We are bringing Chase to the U.K. because we want to provide customers with a new banking choice – one that will enable them to benefit from a simple and exceptional banking experience, built on the significant capabilities of JPMorgan Chase. The U.K. has a vibrant and highly competitive consumer banking marketplace, which is why we've designed the bank from scratch to specifically meet the needs of customers here."

### JPMorgan Acquires Global Loyalty Division of cxLoyalty – Jan 1, 2021

JPMorgan has closed the deal to acquire the Global Loyalty division of cxLoyalty Group Holdings, which includes cxLoyalty's leading technology platforms, full-service travel agency, gift card, merchandise, and points bank businesses. However, the deal excludes cxLoyalty's Global Customer Engagement division and other ongoing businesses.

Now, cxLoyalty will operate as a business unit within JPMorgan.

Being a leading loyalty and technology solutions company, cxLoyalty specializes in designing, administering and fulfilling loyalty programs, which complements JPMorgan's reputation of providing customers with elevated and differentiated value.

The acquisition is anticipated to accelerate the solid foundation built in loyalty, including JPMorgan's Ultimate Rewards platform.

The chief financial officer ("CFO") of cxLoyalty, Greg Miller, who will now lead the company's Global Customer Engagement division, stated, "Today marks an important next chapter for the Global Customer Engagement business. We are excited to be in a position to expand our product roadmap without capital constraints, which will open up a number of opportunities for the Company and better position us for the future."

Miller added, "We have built significant momentum in our business and we will continue to advance our efforts in delivering unique, personalized solutions to our clients and their customers through user and content intelligence, and platform analytics. Our people, solution set, scale and delivery capability are what set us apart, and I look forward to working with our talented team as we execute on our shared long term-vision and propel our business to its next level of growth."

### Dividend Update

On May 17, JPMorgan announced a quarterly cash dividend of 90 cents per share. The dividend will be paid out on Jul 31 to stockholders of record at the close of business on Jul 6.

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## Valuation

JPMorgan's shares are up 29.8% in the year to date period and 55.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 34.3% and 20.8% so far this year, respectively. Over the past year, the Zacks sub-industry and the sector are up 54.1% and 37.5%, respectively.

The S&P 500 index is up 13.2% in the year to date period and 34.1% in the past year.

The stock is currently trading at 13.11X forward 12 months earnings, which compares to 12.50X for the Zacks sub-industry, 16.74X for the Zacks sector and 21.81X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.87X and as low as 7.35X, with a 5-year median of 12.31X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$173 price target reflects 13.74X forward earnings.

The table below shows summary valuation data for JPM

Valuation Multiples - JPM	
Stock Price	\$173
Forward P/E	13.11X
Forward P/B	1.81X
Forward P/S	1.81X
Forward P/CF	1.81X
Forward P/FF	1.81X
Forward P/OP	1.81X
Forward P/EBIT	1.81X
Forward P/EBITDA	1.81X
Forward P/FCF	1.81X
Forward P/Div	1.81X
Forward P/Book	1.81X
Forward P/Market Cap	1.81X
Forward P/Enterprise Value	1.81X
Forward P/Adjusted Book	1.81X
Forward P/Adjusted Market Cap	1.81X
Forward P/Adjusted Enterprise Value	1.81X

Stock Sub-Industry Sector S&P 500					
P/E F12M	Current	13.11	12.5	16.74	21.81
	5-Year High	16.87	14.2	17.24	23.83
	5-Year Low	7.35	8.01	11.6	15.31
	5-Year Median	12.31	11.79	14.94	18.05
P/TB TTM	Current	2.61	2.41	4.6	17.68
	5-Year High	2.63	2.68	4.61	17.7
	5-Year Low	1.25	1.21	2.09	8.07
	5-Year Median	1.97	2.14	3.62	11.58
P/S F12M	Current	4.15	4.48	8.55	4.71
	5-Year High	4.19	4.59	8.55	4.74
	5-Year Low	2.08	2.39	5.08	3.21
	5-Year Median	3.17	3.66	6.21	3.72

As of 06/08/2021

Source: Zacks Investment Research



## Industry Analysis Zacks Industry Rank: Bottom 47% (132 out of 251)



## Top Peers

Company (Ticker)	Rec	Rank
Bank of America Corporation (BAC)	Neutral	3
The Bank of New York Mellon Corporation (BK)	Neutral	3
Citigroup Inc. (C)	Neutral	3
The PNC Financial Services Group, Inc (PNC)	Neutral	3
State Street Corporation (STT)	Neutral	3
Truist Financial Corporation (TFC)	Neutral	3
U.S. Bancorp (USB)	Neutral	3
Wells Fargo & Company (WFC)	Neutral	3

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

Industry Comparison Industry: Banks - Major Regional				Industry Peers		
	JPM	X Industry	S&P 500	BAC	C	WFC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	F	F	D
Market Cap	499.48 B	45.02 B	30.36 B	367.45 B	163.46 B	192.67 B
# of Analysts	8	7	12	8	9	10
Dividend Yield	2.18%	2.42%	1.3%	1.68%	2.58%	0.86%
Value Score	F	-	-	D	C	D
Cash/Price	3.03	1.61	0.06	2.35	6.09	2.26
EV/EBITDA	-13.89	-2.89	17.47	-7.27	-21.91	-2.89
PEG F1	2.45	1.46	2.14	1.97	0.38	1.18
P/B	2.00	1.40	4.19	1.47	0.89	1.15
P/CF	13.32	13.77	17.97	15.56	10.74	15.29
P/E F1	12.26	12.36	21.45	13.79	8.58	12.04
P/S TTM	3.84	3.55	3.53	4.04	1.94	2.46
Earnings Yield	8.09%	8.09%	4.55%	7.25%	11.66%	8.30%
Debt/Equity	1.12	0.72	0.66	1.01	1.40	1.10
Cash Flow (\$/share)	12.38	5.24	6.83	2.76	7.36	3.05
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	12.05%	6.88%	9.44%	14.31%	6.88%	-24.16%
Projected EPS Growth (F1/F0)	50.34%	70.45%	21.30%	66.31%	88.96%	844.15%
Current Cash Flow Growth	-14.28%	-27.77%	0.98%	-27.77%	-31.17%	-55.02%
Historical Cash Flow Growth (3-5 Years)	6.04%	3.10%	7.28%	2.68%	-5.73%	-13.69%
Current Ratio	0.84	0.84	1.39	0.76	0.95	0.84
Debt/Capital	51.25%	39.49%	41.53%	47.83%	55.77%	49.32%
Net Margin	31.15%	24.09%	11.95%	24.09%	20.27%	9.42%
Return on Equity	16.66%	10.65%	16.36%	8.90%	9.55%	4.88%
Sales/Assets	0.04	0.04	0.51	0.03	0.04	0.04
Projected Sales Growth (F1/F0)	0.71%	0.71%	9.23%	3.11%	-3.85%	-1.59%
Momentum Score	D	-	-	D	D	A
Daily Price Change	-0.40%	-0.40%	0.19%	-0.56%	-0.29%	-1.06%
1-Week Price Change	1.34%	-0.09%	0.58%	2.08%	0.99%	0.51%
4-Week Price Change	4.07%	0.12%	1.24%	3.15%	5.62%	1.95%
12-Week Price Change	7.48%	10.03%	8.13%	13.92%	7.84%	18.45%
52-Week Price Change	49.27%	43.21%	33.89%	51.95%	32.91%	42.84%
20-Day Average Volume (Shares)	10,792,959	4,166,556	1,796,567	37,960,312	15,836,154	22,900,482
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.89%
EPS F1 Estimate 4-Week Change	-0.62%	0.65%	0.03%	-0.21%	-0.11%	1.87%
EPS F1 Estimate 12-Week Change	25.39%	22.62%	3.39%	25.25%	34.91%	49.28%
EPS Q1 Estimate Monthly Change	-1.06%	0.16%	0.00%	-1.10%	-0.20%	4.02%

Source: Zacks Investment Research

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	F
Momentum Score	D
VGM Score	F

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

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## Disclosures

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## 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.

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**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.

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**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.

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**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.