

LabCorp (LH)

\$176.92 (As of 09/02/20)

Price Target (6-12 Months): **\$186.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/03/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

Growth: B

Momentum: C

Summary

LabCorp exited the second quarter of 2020 with better-than-expected earnings and revenues. However, these figures dropped year-over-year raising concerns. There was a steady recovery in the Base Business during the quarter for both diagnostic and drug development. This upturn banks on the fact that people are gradually returning to their doctors for testing and clinical trials activity are getting resumed. Within Diagnostics, while, disposition of certain businesses and the implementation of PAMA dented growth, this was marginally offset by an increase in demand for COVID-19 tests. However, Covance Drug Development delivered lower sales on COVID-19 hurdles despite synergies from acquisitions. The margin debacle and the absence of 2020 guidance are other causes of concern. Overall, in the past year, its shares have outpaced its industry.

Data Overview

52-Week High-Low	\$206.74 - \$98.02
20-Day Average Volume (Shares)	846,355
Market Cap	\$17.2 B
Year-To-Date Price Change	4.6%
Beta	1.32
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Medical - Dental Supplies
Zacks Industry Rank	Top 25% (64 out of 251)

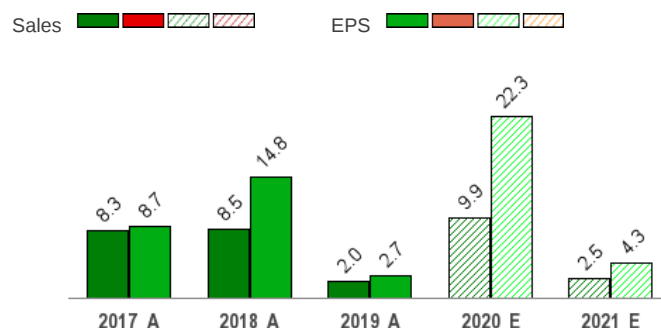
Last EPS Surprise	229.5%
Last Sales Surprise	14.3%
EPS F1 Estimate 4-Week Change	0.5%
Expected Report Date	10/22/2020
Earnings ESP	5.3%

P/E TTM	16.5
P/E F1	12.8
PEG F1	1.5
P/S TTM	1.5

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,345 E	3,125 E	3,192 E	3,200 E	13,010 E
2020	2,824 A	2,769 A	3,595 E	3,478 E	12,695 E
2019	2,791 A	2,882 A	2,929 A	2,953 A	11,555 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$3.60 E	\$3.23 E	\$3.30 E	\$3.32 E	\$14.43 E
2020	\$2.37 A	\$2.57 A	\$4.73 E	\$4.28 E	\$13.84 E
2019	\$2.62 A	\$2.93 A	\$2.90 A	\$2.86 A	\$11.32 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 09/02/2020. The reports text is as of 09/03/2020.

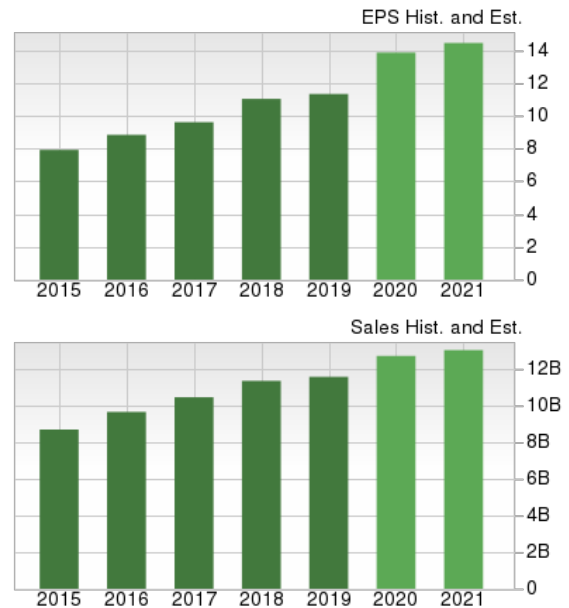
Overview

Headquartered in Burlington, NC, Laboratory Corporation of America Holdings or LabCorp is a leading healthcare diagnostics company, providing comprehensive clinical laboratory services and end-to-end drug development support.

In 2015, LabCorp acquired NJ based Covance, a drug development services company providing a wide range of early stage and late stage product development services on a worldwide basis primarily to the pharmaceutical and biotechnology industries. With this, currently LabCorp reports under two operating segments:

LabCorp Diagnostics (61% of total revenues in 2019): Includes LabCorp's legacy business except for its clinical trial services business, which is now part of Covance Drug Development, and includes the nutritional chemistry and food safety business, which was previously part of Covance. This business registered 0.4% revenue decline in 2019 from the year-ago period.

Covance Drug Development (39%): Includes Covance's legacy business except for its nutritional chemistry and food safety business, which is now part of LabCorp Diagnostics, and includes LabCorp's legacy clinical trial services business. This business reported 6.1% revenue growth in 2018.



Company Strategy

LabCorp has adopted a five-pillar strategy to achieve growth in its businesses. These five strategic pillars are:

- Deploy capital to investments
- Enhance IT capabilities to improve physician, patient experience
- Improve efficiency to remain the most efficient and highest value provider of laboratory services
- Continue scientific innovation to offer tests at reasonable pricing
- Development of alternative delivery models to improve patient outcome and reduce cost of care



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Share Price Movement:** Over the past year, shares of LabCorp improved 5.2% as against the industry's 1.6% dip. Despite the challenges associated with COVID-19, the company exited the second quarter with better-than-expected results. Although diagnostic testing revenues declined on a year-over-year basis, there was a steady recovery in the Base Business during the quarter for both diagnostic and drug development. This upturn banks on the fact that people are gradually returning to their doctors for testing and clinical trials activity are getting resumed. COVID-19 related research is progressing well. More encouragingly, in the month of June, volumes were up year-over-year and COVID-19-related testing more than offset the decline in the Base Business.

Within the Covance Drug Development business, the company reported a solid trailing 12-month book-to-bill of 1.32, and more encouragingly, backlog grew to \$11.8 billion, compared to \$11.3 billion in the first quarter.

In terms of COVID-19 testing updates, the company was the first commercial lab to launch the PCR tests in March. Since then, LabCorp has rapidly expanded both, capacity and accessibility for testing.

- ▲ **Progress with COVID-19 Tests to Aid Diagnostics:** In terms of COVID-19 developments, LabCorp was the first commercial lab to launch PCR testing on March 5, just after the FDA liberalized the rules around Emergency Use Authorization for testing. Since then, LabCorp has rapidly expanded both, capacity and accessibility for testing.

The company has performed more than 8.5 million molecular tests with current capacity of 180,000 tests per day and this capacity is growing. Molecular testing is now processed in 16 labs, including Covance Drug Development Central Lab in Indianapolis.

LabCorp has also significantly expanded accessibility of PCR testing to reach even those in underserved communities. These PCR tests are available to doctors, to hospitals, other healthcare providers, retail pharmacy chains, drive-through testing sites, and through our website. The company is the first lab authorized for at-home sample collection through Pixel by LabCorp platform, and recently, the first to offer a seamless digital service to help doctors electronically order a COVID-19 at-home sample collection for patients as appropriate. To help meet the rapid acceleration in sample volumes, the company recently received an EUA for pool testing.

LabCorp also offers antibody testing. The company began offering antibody testing in April and performed more than 2 million tests with capacity for 300,000 tests per day. The company has launched a neutralizing antibody test to assess the capacity of antibodies in patient plasma, which may help to accelerate the evaluation of vaccines.

- ▲ **COVID-19 Offers in Covance Drug Development Aid Growth:** This business is benefitting from collaborations with leading pharmaceutical and biotechnology companies with whom it started to work on potential antivirals, treatments and vaccines. Among the collaborations, the alliance with Ridgeback Biotherapeutics to test an antiviral drug is significant. Further, the Covance business is also working with companies like Adaptive Biotechnologies and Microsoft to focus on immune response to the virus. Separately, it is also working with Pacific Bioscience on unique research programs on virus characteristics that can support patient treatment decisions. Meanwhile, the company has launched its patient registry which Ciox Health that will enable researchers to better understand and characterize COVID-19 diagnosis and treatment and generate the insights that will aid ongoing and future pandemic preparedness and prevention efforts.

- ▲ **Covance Drug Development Base Business Holds Potential:** Of late, LabCorp is enhancing Covance's offerings through strategic acquisitions. The acquisition of MI Bioresearch is expected to create opportunity for Covance to move from preclinical to clinical development. We are also optimistic about the company's plans to acquire Regulatory and Clinical Research Institute (RCRI), a device focused CRO with strong regulatory consulting expertise.

In addition, the company has progressed with the Covance LaunchPad initiative. At the end of the second quarter, LabCorp remains on track to deliver \$150 million of net savings from Covance LaunchPad by the end of 2020. Earlier, the company completed the \$30 million in cost synergies from the integration of Chiltern that it had committed to deliver in 2020. As per the pre-COVID-19 update, the company expected to achieve \$10 million in net cost synergies from the integration of Envigo by the end of 2021.

- ▲ **LaunchPad in Diagnostics May Help Rebound Growth:** On the heels of a successful execution of the company's LaunchPad cost saving initiative in its drug development business, LabCorp has introduced this program within its Diagnostics arm which is facing severe headwinds over the recent term. This Phase II of LaunchPad initiative in Diagnostics is expected to deliver \$200 million of savings by the end of 2021. This initiative focuses on eliminating manual processes; digitizing the business; using technology to improve quality, operations and service; enhancing the consumer experience and bringing LabCorp's services closer to the customer. Phase II of LaunchPad is expected to streamline its business, unlock new avenues for growth and contribute to improvement in the long-term margins. As per the company's second-quarter update, despite the COVID-19 downsides, it is currently on track to deliver diagnostics Launchpad target.

- ▲ **Meaningful Acquisitions to Add Value:** LabCorp continues to add complementary capabilities through targeted acquisitions. In the second quarter, the company expanded its capabilities in hybrid and virtual trials by completing the acquisition of GlobalCare Clinical Trials. Further, it acquired RDL Reference Laboratory in June, a player in the field of rheumatologic and autoimmune testing. Further, the company acquired the ambulatory testing business and entered into a comprehensive laboratory services relationship with Franciscan Missionaries of Our Lady Health System, one of the largest health systems serving Louisiana and Mississippi.

- ▲ **Strategic Plans to Drive Growth:** As part of its three key strategic plans, LabCorp is working hard on new innovations with academic institutions in order to capture the growing lab testing market with its advanced assays and tools. In Diagnostics, the company successfully continues to provide the foundation for new collaborations with health systems, large physician groups and managed care partners. LabCorp has also created growth opportunities in women's health, medical drug monitoring, genetics and oncology testing, as well as in critical

The solid revenue and earnings outlook for 2019 holds optimism indicating improving industry trends along with ongoing positive synergy from the Covance integration.

collaborations with players like Thermo Fisher, Walgreens and 23andMe. Also, its partnerships with UnitedHealthcare and Aetna have helped LabCorp to become a contracted laboratory provider for all major national plans. In the second quarter, as a major development, the company launched liquid biopsy test for patients with non-small cell lung cancer.

Within Covance Drug Development, the company's ongoing strategic investments in precision medicine, therapeutic expertise, FSP solutions and biologic drug development capabilities continue to increase its win rate with existing partners and new customers. The acquisition of Chiltern is significantly strengthening LabCorp's strategic position in clinical development and accelerating revenue and profit growth within Covance. This apart, the company's recent strategic technology contract with QIAGEN is expected to garner positive outcome down the line.

Reasons To Sell:

- ▼ **COVID-19 Impact Severe:** LabCorp's Diagnostics and Drug Development arms are significantly experiencing the impact of coronavirus with clients postponing programs and lower demand for diagnostic testing. The increased testing performed by the company for COVID-19 did not nearly offset the decline in other testing.

Diagnostics revenue declined 3.9% year over year due to sluggish Base Business revenue on the impact of COVID-19 and continued price pressures from PAMA. This reduction in demand impacted testing volume broadly, but this was more heavily weighted towards routine procedures. It also impacted esoteric tests, but to a lesser degree due to the critical and time sensitive nature of these tests. In the Drug Development business, revenues declined 2.9% affected by a 5.2% decline in organic revenues,

Due to the unpredictability regarding the duration and the impact of the COVID-19 pandemic the company could not provide its 2020 guidance.

- ▼ **Difficult Solvency Position:** LabCorp exited the second quarter with cash and cash equivalents of \$557 million compared with \$323.6 million at the end of the first quarter. Meanwhile, the company's high level of debt on the balance sheet has pretty much to worry about, especially during the time when the coronavirus mayhem has forced the corporate sector halt their production and supply.

Total debt came up to \$6.21 billion, a slight reduction from \$6.41 billion in the first quarter. While, the quarter's total debt was much higher than the corresponding cash and cash equivalent level, the current-year payable debt too is coming at \$790.8 million, much more than the short-term cash level. This is particularly worrisome in terms of the company's solvency level as, during the year of economic downturn, the company is not holding sufficient cash for short-term debt repayment. The quarter's total debt-to-capital of 45.8% stands at a pretty high level right now. It represented a sequential decline from 47.7% at the end of the first quarter.

The company has been using its cash balance to make strategic acquisitions and has been rewarding its shareholders through share repurchases. LabCorp noted interest in acquisitions in the field of contract research and pathology, including hematopathology, at an attractive valuation. However, amid the pandemic, it has temporarily suspended its existing share repurchase program.

- ▼ **Exposed to Currency Headwind:** With LabCorp deriving a huge share of its revenues internationally, it remains highly exposed to currency fluctuations. Unfavorable currency movements have been a major dampener over the last few quarters, as in the case of other important MedTech players too. While the trend has shown some sort of improvement in the reported quarter, sustainability remains a matter of question. In the fourth quarter, revenue dropped 20 basis points on account of unfavorable foreign currency translation.

- ▼ **Competitive Landscape:** LabCorp faces intense competition from its major competitor, Quest Diagnostics, and other commercial laboratories and hospitals. In a \$55 billion U.S. lab market, hospitals control an estimated 55% of the diagnostic test market, compared to LabCorp's 10% share. While pricing is an important factor in choosing a testing lab, hospital-affiliated physicians expect a high level of service, including accurate and rapid turnaround of testing results. As a result, LabCorp and other commercial labs compete with hospital-affiliated labs primarily on the basis of quality of service.

- ▼ **Reimbursement Cut to Have a Negative Impact:** Changes in governmental regulations had a significant impact on LabCorp's operations. Particularly, in the last couple of years, the company faced several reimbursement issues hurting its revenues. The company is concerned about the CMS' (Centers for Medicare & Medicaid Services) latest Medicare reimbursement reduction as a result of the implementation of Protecting Access to Medicare Act (PAMA). Notably, 2018 was the opening year operating under the clinical IP schedule.

While the company currently appreciates that congress finally passed the LAB Act back which has delayed the next PAMA date of reporting period by 1 year until 2021, regrettably, the legislation did not halt the reimbursement cuts that went into effect in 2019. Meanwhile we note that, in the fourth quarter 2019, PAMA had a negative impact of 130 basis points on the company's gross margin within Drug Development business.

The current economic uncertainty including challenging volume environment for testing laboratories and utilization weaknesses are looming headwinds.

Last Earnings Report

Coronavirus Impact Dent LabCorp's Testing Volume in Q2

LabCorp reported second-quarter 2020 adjusted earnings per share (EPS) of \$2.57, down 12.3% from the year-ago quarter. The adjusted figure that excludes the impact of CARES Act Emergency Funding was negatively impacted by the COVID-19 pandemic. However, the bottom line surpassed the Zacks Consensus Estimate of 78 cents.

On a reported basis, net earnings were \$2.37 per share, a 22.8% improvement from the year-ago period.

Revenues in the quarter under review declined 3.9% year over year to \$2.77 billion. However, it exceeded the Zacks Consensus Estimate by 14.3%.

The lower revenues can be attributed to 5.4% decline in organic revenues, 0.3% drop due to the disposition of a business and a 0.1% adverse impact from unfavorable foreign currency translation, partially offset by 1.9% growth from acquisitions. Despite COVID-19 testing-related growth of 15.4%, the year-over-year decline in organic revenues was due to a significant 20.9% reduction in the company's organic Base Business due to the pandemic. The lower organic revenues could be attributed to a 0.5% adverse impact of lower Medicare and Medicaid pricing as a result of implementation of Protecting Access to Medicare Act (PAMA).

Quarter in Detail

LabCorp reports results under two operating segments — LabCorp Diagnostics and Covance Drug Development.

In the second quarter, LabCorp Diagnostics reported revenues of \$1.69 billion, reflecting 3.9% decline year over year. On an organic basis, revenues declined 4.9%. This included a 30.1% negative impact from COVID-19 on organic Base Business, partially offset by 25.2% contribution from COVID-19 Testing. The decline of the organic Base Business includes a 0.8% negative impact from PAMA and a 1.2% reduction due to the September 2019 non-renewal of the BeaconLBS - UnitedHealthcare contract pertaining to the Florida market.

Organic revenue decline was partially offset by acquisitions-related growth of 1.1%.

The company witnessed a 19.5% decline in total volume (measured by requisition). Organic volume declined 20.7%, partially offset by acquisition volume growth of 1.2%. The organic volume decline was primarily due to a 35.3% negative impact from COVID-19 on Base Business, partially offset by 14.6% increase in demand for COVID-19 Testing.

Covance Drug Development revenues declined 2.9% to \$1.09 billion in the second quarter affected by a 5.2% decline in organic revenues, a 0.7% impact owing to the disposition of the Covance Research Products business and 0.1% impact of adverse foreign currency translation. This was partially offset by a 3.1% contribution from acquisitions.

Margins

Gross margin contracted 116 basis points (bps) to 27.5% in the second quarter. Also, adjusted operating income declined 11.1% year over year to \$364.2 million. Adjusted operating margin contracted 106 bps from the year-ago quarter to 13.2%.

Cash Position

LabCorp exited the second quarter with cash and cash equivalents of \$557 million compared with \$323.6 million at the end of the first quarter. Cumulative cash flow from operating activities at the end of the second quarter was \$574.5 million, up from \$419.3 million a year ago. Additionally, cumulative free cash flow at the end of the second quarter was \$369.4 million, up from \$239.9 million a year ago.

Earlier, the company had temporarily suspended its existing share repurchase program due to the pandemic.

2020 View

The company did not provide 2020 guidance as it is still unable to gauge the impact of the ongoing COVID-19 pandemic. However, overall, it noted that, while LabCorp's Base Business continues to be negatively impacted by the pandemic, the company's outlook has improved across the business.

Quarter Ending	06/2020
Report Date	Jul 28, 2020
Sales Surprise	14.27%
EPS Surprise	229.49%
Quarterly EPS	2.57
Annual EPS (TTM)	10.70

Recent News

Receives EUA for Pool Testing : Jul 25, 2020

LabCorp announced that, it received FDA's EUA permitting diagnostic testing of groups of individuals for active COVID-19 infections utilizing matrixed pooled testing, a method that tests several patient samples at once.

Launches At Home Test Collection Service: Jul 7, 2020

LabCorp launched the LabCorp At Home COVID-19 Test Collection Service post the receipt of the Emergency Use Authorization by the FDA on Jul 1.

Launches Xcellerate COVID-19 Solution: Jun 29, 2020

LabCorp announced that its Covance drug development business, has deployed the Xcellerate COVID-19 solution as part of its Xcellerate platform.

Launches New COVID-19 Antibody Test: Jun 25, 2020

LabCorp announced the launch of a new test that can be used to assess the capacity of antibodies in patient plasma to inhibit the SARS-CoV-2 virus.

Progress with Decentralized Clinical Trials: May 28, 2020

LabCorp announced that its Covance business is expanding its technology ecosystem to accelerate the adoption of decentralized clinical trials, often referred to as hybrid and virtual clinical trials.

Update on at-home Collection Test Kit: May 12, 2020

LabCorp announced the availability of its COVID-19 at-home collection test kit for individuals nationwide having symptoms consistent with COVID-19 infection and individuals without symptoms who may have been exposed to the virus.

Launches IgG Antibody Test: May 5, 2020

LabCorp announced the availability of its COVID-19 Immunoglobulin G (IgG) antibody test for individuals through LabCorp.com.

Valuation

LabCorp shares are up 4.6% in the year-to-date period and up 5.2% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 5.8% while the Zacks Medical sector rose 2% in the year-to-date period. Over the past year, the Zacks sub-industry is down 1.6% and sector is up 10.7%.

The S&P 500 index is up 6.9% in the year-to-date period and increased 17.4% in the past year.

The stock is currently trading at 12.4X Forward 12-months earnings, which compares to 18.7X for the Zacks sub-industry, 22.5X for the Zacks sector and 23.9X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.2X and as low as 8.6X, with a 5-year median 14.3X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$186 price target reflects 13.1X forward 12-months earnings.

The table below shows summary valuation data for LH.

Valuation Multiples - LH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.43	18.71	22.46	23.94
	5-Year High	18.15	19.84	23.2	23.94
	5-Year Low	8.57	13.63	15.89	15.25
	5-Year Median	14.32	16.45	18.99	17.6
P/S F12M	Current	1.34	0.37	2.85	4.4
	5-Year High	1.65	0.38	3.25	4.4
	5-Year Low	0.84	0.23	2.23	2.53
	5-Year Median	1.41	0.28	2.89	3.07
P/B TTM	Current	2.34	4.24	3.93	4.66
	5-Year High	2.81	4.73	5.07	4.76
	5-Year Low	1.34	2.54	2.94	2.83
	5-Year Median	2.45	3.45	4.28	3.76

As of 09/02/2020

Industry Analysis Zacks Industry Rank: Top 25% (64 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
DaVita Inc. (DVA)	Outperform	1
OPKO Health, Inc. (OPK)	Outperform	2
Align Technology, Inc. (ALGN)	Neutral	3
BioRad Laboratories, Inc. (BIO)	Neutral	2
Quest Diagnostics Incorporated (DGX)	Neutral	3
Exact Sciences Corporation (EXAS)	Neutral	3
Myriad Genetics, Inc. (MYGN)	Neutral	4
NeoGenomics, Inc. (NEO)	Neutral	3

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

Industry Comparison Industry: Medical - Dental Supplies				Industry Peers		
	LH	X Industry	S&P 500	DGX	EXAS	NEO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	F	F
Market Cap	17.23 B	2.65 B	24.30 B	14.87 B	11.60 B	4.34 B
# of Analysts	8	5	14	7	6	5
Dividend Yield	0.00%	0.00%	1.6%	2.02%	0.00%	0.00%
Value Score	A	-	-	B	D	D
Cash/Price	0.03	0.09	0.07	0.07	0.11	0.07
EV/EBITDA	10.48	15.30	13.46	11.33	-98.63	111.93
PEG F1	1.48	3.23	3.09	0.83	NA	79.75
P/B	2.34	4.72	3.25	2.53	4.62	6.63
P/CF	9.10	15.14	13.12	12.17	NA	75.90
P/E F1	12.71	37.45	22.15	13.18	NA	893.18
P/S TTM	1.50	2.89	2.57	1.97	10.26	10.73
Earnings Yield	7.82%	2.49%	4.29%	7.59%	-2.76%	0.10%
Debt/Equity	0.75	0.43	0.70	0.68	0.67	0.32
Cash Flow (\$/share)	19.44	1.35	6.93	9.09	-0.85	0.52
Growth Score	B	-	-	B	D	D
Historical EPS Growth (3-5 Years)	8.86%	9.48%	10.41%	6.83%	NA	44.08%
Projected EPS Growth (F1/F0)	22.29%	1.47%	-4.75%	28.05%	-42.95%	-85.81%
Current Cash Flow Growth	12.16%	3.87%	5.22%	10.66%	-8.67%	78.83%
Historical Cash Flow Growth (3-5 Years)	17.70%	12.65%	8.49%	6.08%	-3.28%	51.24%
Current Ratio	1.12	1.53	1.35	1.29	6.77	6.79
Debt/Capital	42.90%	32.99%	42.92%	41.06%	40.14%	24.39%
Net Margin	3.16%	0.23%	10.25%	9.99%	-13.65%	-1.33%
Return on Equity	14.39%	11.36%	14.66%	13.78%	-13.32%	0.73%
Sales/Assets	0.65	0.90	0.50	0.60	0.32	0.52
Projected Sales Growth (F1/F0)	9.87%	0.00%	-1.42%	12.80%	58.31%	11.48%
Momentum Score	C	-	-	A	D	C
Daily Price Change	1.61%	1.96%	1.82%	0.95%	4.80%	1.03%
1-Week Price Change	-1.78%	0.00%	2.59%	-6.01%	-8.74%	-4.66%
4-Week Price Change	-8.58%	-1.07%	4.80%	-12.88%	-15.96%	-2.53%
12-Week Price Change	1.04%	1.17%	6.31%	-3.17%	-16.69%	42.37%
52-Week Price Change	5.19%	9.55%	5.43%	7.75%	-36.06%	59.89%
20-Day Average Volume (Shares)	846,355	337,706	1,788,967	1,505,052	1,532,581	563,890
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.45%	0.36%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	39.07%	5.46%	3.89%	49.86%	-20.12%	91.53%
EPS Q1 Estimate Monthly Change	7.65%	0.00%	0.00%	4.60%	-17.56%	0.00%

Source: Zacks Investment Research

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	A
Growth Score	B
Momentum Score	C
VGM Score	A

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

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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.