

## LabCorp (LH)

**\$201.41** (As of 07/22/20)

Price Target (6-12 Months): **\$213.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Outperform**

(Since: 07/03/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

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

**1-Strong Buy**

Zacks Style Scores:

VGM:C

Value: B

Growth: C

Momentum: F

## Summary

LabCorp's Covance business delivered growth in the first quarter of 2020 despite COVID-19 hurdles on synergies from acquisitions and organic growth. New partnerships with leading pharmaceutical and biotechnology companies on potential antivirals, treatments and vaccines for COVID-19 are expected to bode well with the Covance business. Increase in demand for COVID-19 tests marginally offset the dent in growth due to the disposition of certain businesses and the implementation of PAMA. Its first quarter performance saw better-than-expected earnings and revenues. Over the past three months, its shares have outpaced its industry. Yet, Diagnostics business was down on severe volume decline as a result of negative impact COVID-19. However, due to the unpredictability regarding the impact of COVID-19 the company has withdrawn its 2020 guidance.

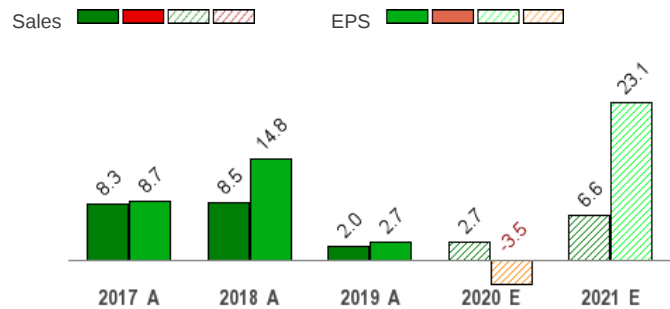
## Price, Consensus & Surprise



## Data Overview

|                            |                                           |
|----------------------------|-------------------------------------------|
| 52 Week High-Low           | <b>\$200.68 - \$98.02</b>                 |
| 20 Day Average Volume (sh) | <b>779,960</b>                            |
| Market Cap                 | <b>\$19.4 B</b>                           |
| YTD Price Change           | <b>18.3%</b>                              |
| Beta                       | <b>1.38</b>                               |
| Dividend / Div Yld         | <b>\$0.00 / 0.0%</b>                      |
| Industry                   | <a href="#">Medical - Dental Supplies</a> |
| Zacks Industry Rank        | <b>Bottom 40% (150 out of 252)</b>        |

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



|                           |                   |
|---------------------------|-------------------|
| Last EPS Surprise         | <b>34.7%</b>      |
| Last Sales Surprise       | <b>3.9%</b>       |
| EPS F1 Est- 4 week change | <b>6.3%</b>       |
| Expected Report Date      | <b>07/28/2020</b> |
| Earnings ESP              | <b>134.2%</b>     |

## Sales Estimates (millions of \$)

|      | Q1      | Q2      | Q3      | Q4      | Annual*  |
|------|---------|---------|---------|---------|----------|
| 2021 | 3,326 E | 3,040 E | 3,096 E | 3,110 E | 12,648 E |
| 2020 | 2,824 A | 2,423 E | 3,098 E | 3,268 E | 11,863 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 | \$3.68 E | \$3.21 E | \$3.27 E | \$3.33 E | \$13.46 E |
| 2020 | \$2.37 A | \$0.78 E | \$3.10 E | \$3.95 E | \$10.93 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.

|         |             |
|---------|-------------|
| P/E TTM | <b>18.1</b> |
| P/E F1  | <b>18.4</b> |
| PEG F1  | <b>2.2</b>  |
| P/S TTM | <b>1.7</b>  |

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/22/2020. The reports text is as of 07/23/2020.

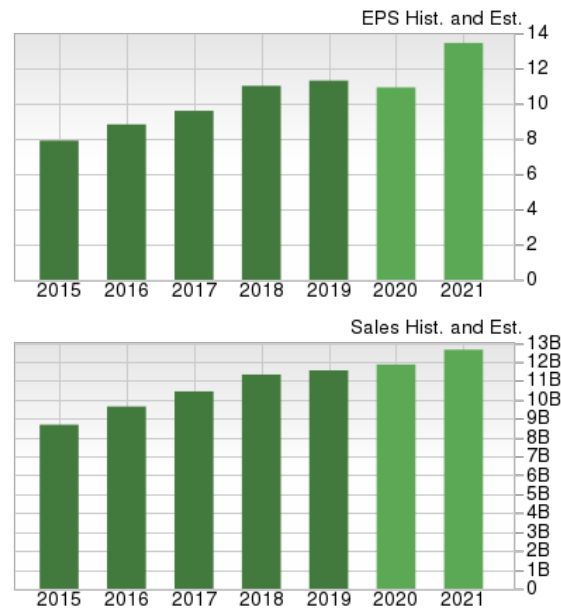
## Overview

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



## Reasons To Buy:

- ▲ **Share Price Movement:** Over the past three months, shares of LabCorp improved 22.3% compared with the industry's 15.3% gain. Despite the challenges associated with COVID-19, The company exited the first quarter on a strong note, with better-than-expected results. Although diagnostic testing revenues declined on a year-over-year basis, this was to some extent offset by increased COVID-19 testing performed by the company.

The Covance Drug Development business however, improved on synergies from acquisitions and organic growth. Further, this business was benefitting from collaborations with leading pharmaceutical and biotechnology companies with whom it started to work on potential antivirals, treatments and vaccines. Despite all COVID-19 impacts, this business is on track to deliver \$150 million of net savings by the end of 2020, from Launchpad initiative. Meanwhile, of late, LabCorp enhanced Covance's offerings through strategic acquisitions like MI Bioresearch that brings specialized preclinical capabilities in cell and gene therapy and oncology testing. The company is also hopeful about its business swap transaction with Envigo.

- ▲ **New COVID-19 Tests to Aid Diagnostics:** In the first quarter, LabCorp Diagnostics began experiencing the impact of the global pandemic with clients postponing programs and lower demand for routine and specialty diagnostic testing. However, the segment reported increased testing performed for COVID-19 in this period.

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. Till the time of the earnings call, LabCorp conducted over 1 million COVID-19 tests and noted about its capabilities to perform more than 60,000 tests per day or 1.8 million per month nationwide.

The company also launched the LabCorp COVID-19 at-home test Collection Kit on Pixel by LabCorp platform. This is the first at-home collection kit to receive FDA, EUA approval and is currently available to healthcare workers and first responders who are more exposed to COVID-19. The company plans to roll out this At-home Collection more broadly in the coming weeks.

Finally, the company recently launched serology testing, which helps to determine if an individual has had an immune response to the virus. Till the time of the earnings call, the company can perform more than 50,000 serology tests per day and expects to perform more than 200,000 tests per day by mid-May. This test will be available in LabCorp's 2,000 patient service centers, including 100 LabCorp at Walgreens sites and thousands of doctor offices across the country.

- ▲ **New 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 Growth Continues Otherwise:** Even Amid the coronavirus pandemic, LabCorp's Covance Drug Development business registered first-quarter revenue growth of 6.4% from a year ago. In this regard, 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 first 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 first-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. The latest in the list is an innovative business swap transaction with Envigo, a provider of nonclinical contract research services and research models. In this transaction, the company has purchased Envigo's non-clinical contract research service business, while sell them Covance Research Products business. The company also enhanced its value by acquiring the diagnostic clinical laboratory testing business of South Bend Medical Foundation (SBMF), considerably enhancing the scope of local services that LabCorp offers to hospitals, physicians, and patients across Indiana, Michigan, Ohio, and Illinois.

- ▲ **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 collaborations with players like Thermo Fisher, Walgreens and 23andMe. Also, its partnerships with UnitedHealthcare and Aetna have helped

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

---

LabCorp to become a contracted laboratory provider for all major national plans.

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.

---

---

## Risks

- **COVID-19 Impact Severe on Diagnostics and Drug Development:** During the first quarter, both Diagnostics and Drug Development began 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 1.2% compared to a year ago due to lower organic revenue from the impact of COVID-19 and continued price pressures from PAMA. At the end of the quarter, LabCorp experienced a 50-55% reduction in demand for testing versus the company's normal daily levels. 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, LabCorp noted that, the COVID-19 impact started earlier than in Diagnostic due to the more global nature of the business.

Due to the unpredictability regarding the duration and the impact of the COVID-19 pandemic the company has withdrawn its 2020 guidance.

- **Difficult Solvency Position:** LabCorp is well capitalized having exited the first quarter with cash and cash equivalents of \$323.6 million compared with \$337.5 million at the end of 2019. 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 \$6.41 billion, unchanged from the end of 2019. 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 \$620 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. We note that, sequentially, the total debt level for the company remained marginally flat. The quarter's total debt-to-capital of 47.7% stands at a pretty high level right now. Further, it represented a sequential rise from 46.9% at the end of the fourth quarter. The times interest earned stands at 3.4%, a sequential decline from 5.6%.

Cash flow from operating activities at the end of the first quarter was \$203.8 million, up from \$165.8 million a year ago. Additionally, free cash flow at the end of the quarter was \$97 million, up 36% from the year-ago period. Going forward, LabCorp expects to deploy half of the free cash flow to acquisitions and half to share buybacks.

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. In the first quarter, the company returned \$100 million to shareholders via share repurchases. 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.

---

## Last Earnings Report

### Coronavirus Impact Dent LabCorp's Testing Volume in Q1

LabCorp reported first-quarter 2020 adjusted earnings per share (EPS) of \$2.37, down 9.5% from the year-ago quarter. The adjusted figure was negatively impacted by an estimated 55 cents per share due to the COVID-19 pandemic. However, the bottom line surpassed the Zacks Consensus Estimate by 12.9%.

The quarter's adjustments exclude non-recurring items like Restructuring and other charges in connection with LaunchPad initiatives and acquisitions or dispositions of businesses.

On a reported basis, net loss was \$3.27 per share, a significant decline from net earnings of \$1.88 in the year-ago period. Revenues in the quarter under review improved 1.2% year over year to \$2.82 billion and exceeded the Zacks Consensus Estimate by 3.9%.

The upside in revenues was driven by acquisition-related growth of 3.4%, partially offset by a 0.5% decline in revenues from the disposition of a business and 1.8% decline in organic revenues. The lower organic revenues could be attribute to a 4.9% adverse impact of COVID-19 and 0.7% negative impact of lower Medicare and Medicaid pricing as a result of implementation of Protecting Access to Medicare Act (PAMA).

Quarter Ending 03/2020

| Report Date      | Apr 29, 2020 |
|------------------|--------------|
| Sales Surprise   | 3.89%        |
| EPS Surprise     | 34.66%       |
| Quarterly EPS    | 2.37         |
| Annual EPS (TTM) | 11.06        |

### Quarter in Detail

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

In the first quarter, LabCorp Diagnostics reported revenues of \$1.70 billion, reflecting 1.2% decline year over year. On an organic basis, revenues declined 2.9%. This included a 5.4% negative impact from COVID-19 and a 1.1% adverse impact of PAMA. Organic revenue decline was partially offset by acquisitions-related growth of 1.7%.

The company witnessed a 4.4% decline in total volume (measured by requisition). Organic volume declined 6.1%, primarily on 7.3% negative impact from COVID-19 due to 50% to 55% reduced demand for testing compared to LabCorp's normal daily levels. This was, however, marginally offset by an increase in demand for COVID-19 tests. There was 3.4% improvement in revenue per requisition in the first quarter.

Covance Drug Development revenues improved 6.4% to \$1.14 billion in the first quarter buoyed by 6.2% contribution from acquisitions and 1.6% organic growth, partially offset by 1.2% impact owing to the disposition of the Covance Research Products business and 0.1% impact of adverse foreign currency translation.

### Margins

Gross margin contracted 251 basis points (bps) to 25.8% in the first quarter. Also, adjusted operating income declined 16% year over year to \$333 million. However, adjusted operating margin contracted 241 bps from the year-ago quarter to 11.8%.

### Cash Position

LabCorp exited the first quarter with cash and cash equivalents of \$323.6 million compared with \$337.5 million at the end of 2019. Cash flow from operating activities at the end of the first quarter was \$203.8 million, up from \$165.8 million a year ago. Additionally, free cash flow at the end of the quarter was \$97 million, up 36% from the year-ago period.

In the first quarter, the company returned \$100 million to shareholders via share repurchases. However, amid the pandemic, it has temporarily suspended its existing share repurchase program.

### 2020 View

The company has withdrawn its 2020 guidance as it is currently unable to gauge the impact of the ongoing COVID-19 pandemic. However, it expects to deliver solid free cash flow in 2020.

## Recent News

On **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.

On **Jun 29, 2020**, LabCorp announced that its drug development business, Covance, has deployed the Xcellerate COVID-19 solution as part of its Xcellerate platform.

On **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.

On **Jun 1, 2020**, LabCorp announced that its Covance business has created COVID-19 Clinical Trial Connect in the United States, a site designed to help people access information about how to participate in COVID-19 research.

On **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.

On **May 14, 2020**, LabCorp announced the launch of its new return to work service for employers.

On **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.

On **May 5, 2020**, LabCorp announced the availability of its COVID-19 Immunoglobulin G (IgG) antibody test for individuals through LabCorp.com.

On **Apr 27, 2020**, LabCorp announced that effective immediately that it will offer antibody tests for the virus that causes COVID-19. There will be no upfront out-of-pocket costs to people who receive an order for a test through a doctor or healthcare provider, including telemedicine providers.

On **Apr 22, 2020**, LabCorp announced that it will expand serological testing for SARS-CoV-2 to more hospitals and healthcare organizations.

On **Apr 21, 2020**, LabCorp announced the receipt of an Emergency Use Authorization from the FDA, permitting nasal swab specimens to be collected at home using the Pixel by LabCorp COVID-19 test home collection kit if recommended by a healthcare provider after completing a COVID-19 questionnaire.

On **Apr 9, 2020**, LabCorp entered into a collaboration with Ciox Health for a comprehensive U.S.-based COVID-19 patient data registry.

## Valuation

LabCorp shares are up 18.3% in the year-to-date period and UP 12.4% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 8.3% while the Zacks Medical sector rose 2.4% in the year-to-date period. Over the past year, the Zacks sub-industry is down 5% and sector is up 8.3%.

The S&P 500 index is UP 2% in the year-to-date period and increased 9.3% in the past year.

The stock is currently trading at 16.2X Forward 12-months earnings, which compares to 20.3X for the Zacks sub-industry, 23.6X for the Zacks sector and 23.1X 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 14.4X. Our Outperform recommendation indicates that the stock will perform above the market. Our \$213 price target reflects 17.2X 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       | 16.21 | 20.29        | 23.55  | 23.06   |
|                          | 5-Year High   | 18.15 | 20.29        | 23.55  | 23.06   |
|                          | 5-Year Low    | 8.57  | 13.63        | 15.89  | 15.25   |
|                          | 5-Year Median | 14.36 | 16.47        | 18.98  | 17.52   |
| P/S F12M                 | Current       | 1.58  | 0.38         | 2.88   | 3.62    |
|                          | 5-Year High   | 1.65  | 0.38         | 3.74   | 3.62    |
|                          | 5-Year Low    | 0.84  | 0.23         | 2.22   | 2.53    |
|                          | 5-Year Median | 1.41  | 0.28         | 2.90   | 3.02    |
| P/B TTM                  | Current       | 2.77  | 4.84         | 4.48   | 4.49    |
|                          | 5-Year High   | 2.81  | 4.84         | 5.07   | 4.56    |
|                          | 5-Year Low    | 1.34  | 2.54         | 2.94   | 2.83    |
|                          | 5-Year Median | 2.46  | 3.45         | 4.30   | 3.71    |

As of 07/22/2020

## Industry Analysis Zacks Industry Rank: Bottom 40% (150 out of 252)



## Top Peers

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

| Industry Comparison Industry: Medical - Dental Supplies |            |            |           | Industry Peers |           |          |
|---------------------------------------------------------|------------|------------|-----------|----------------|-----------|----------|
|                                                         | LH         | X Industry | S&P 500   | DGX            | EXAS      | NEO      |
| Zacks Recommendation (Long Term)                        | Outperform | -          | -         | Outperform     | Neutral   | Neutral  |
| Zacks Rank (Short Term)                                 | 1          | -          | -         | 1              | 2         | 3        |
| VGM Score                                               | C          | -          | -         | C              | F         | F        |
| Market Cap                                              | 19.45 B    | 2.34 B     | 22.74 B   | 17.35 B        | 14.84 B   | 3.87 B   |
| # of Analysts                                           | 8          | 5          | 14        | 4              | 5         | 5        |
| Dividend Yield                                          | 0.00%      | 0.00%      | 1.81%     | 1.73%          | 0.00%     | 0.00%    |
| Value Score                                             | B          | -          | -         | B              | D         | D        |
| Cash/Price                                              | 0.02       | 0.05       | 0.06      | 0.02           | 0.08      | 0.02     |
| EV/EBITDA                                               | 12.10      | 14.00      | 13.19     | 13.32          | -124.60   | 103.26   |
| PEG Ratio                                               | 2.15       | 3.40       | 3.05      | 1.23           | NA        | NA       |
| Price/Book (P/B)                                        | 2.77       | 4.38       | 3.14      | 3.04           | 5.83      | 7.67     |
| Price/Cash Flow (P/CF)                                  | 10.29      | 15.19      | 12.31     | 14.27          | NA        | 71.02    |
| P/E (F1)                                                | 18.43      | 32.95      | 22.34     | 16.13          | NA        | NA       |
| Price/Sales (P/S)                                       | 1.68       | 2.32       | 2.40      | 2.27           | 13.97     | 9.24     |
| Earnings Yield                                          | 5.46%      | 1.96%      | 4.27%     | 6.20%          | -1.74%    | -0.08%   |
| Debt/Equity                                             | 0.92       | 0.31       | 0.75      | 0.71           | 0.64      | 0.28     |
| Cash Flow (\$/share)                                    | 19.44      | 1.35       | 6.94      | 9.09           | -0.85     | 0.52     |
| Growth Score                                            | C          | -          | -         | C              | F         | F        |
| Hist. EPS Growth (3-5 yrs)                              | 9.93%      | 10.40%     | 10.82%    | 8.03%          | NA        | 63.41%   |
| Proj. EPS Growth (F1/F0)                                | -3.42%     | -7.09%     | -9.08%    | 22.60%         | -15.70%   | -109.03% |
| Curr. Cash Flow Growth                                  | 12.16%     | 3.87%      | 5.51%     | 10.66%         | -8.67%    | 78.83%   |
| Hist. Cash Flow Growth (3-5 yrs)                        | 17.70%     | 12.37%     | 8.55%     | 6.08%          | -3.28%    | 51.24%   |
| Current Ratio                                           | 1.18       | 1.60       | 1.30      | 1.38           | 6.09      | 3.18     |
| Debt/Capital                                            | 48.11%     | 27.05%     | 44.41%    | 41.88%         | 39.15%    | 21.58%   |
| Net Margin                                              | 2.77%      | 0.86%      | 10.46%    | 10.36%         | -10.04%   | 0.82%    |
| Return on Equity                                        | 15.03%     | 12.84%     | 15.29%    | 14.79%         | -13.98%   | 2.94%    |
| Sales/Assets                                            | 0.65       | 1.07       | 0.54      | 0.63           | 0.37      | 0.59     |
| Proj. Sales Growth (F1/F0)                              | 2.67%      | 0.00%      | -2.27%    | 10.01%         | 43.74%    | 4.06%    |
| Momentum Score                                          | F          | -          | -         | F              | D         | C        |
| Daily Price Chg                                         | 1.66%      | 0.00%      | 0.60%     | 0.89%          | -0.57%    | 0.66%    |
| 1 Week Price Chg                                        | 12.14%     | 5.06%      | 3.82%     | 7.10%          | 6.32%     | 1.56%    |
| 4 Week Price Chg                                        | 27.36%     | 5.03%      | 7.55%     | 24.11%         | 19.89%    | 32.36%   |
| 12 Week Price Chg                                       | 15.33%     | 9.85%      | 7.51%     | 14.28%         | 22.21%    | 18.54%   |
| 52 Week Price Chg                                       | 12.34%     | 12.34%     | -3.37%    | 25.54%         | -15.77%   | 56.74%   |
| 20 Day Average Volume                                   | 779,960    | 549,326    | 2,037,153 | 1,371,680      | 1,161,100 | 983,191  |
| (F1) EPS Est 1 week change                              | 0.00%      | 0.00%      | 0.00%     | 0.94%          | 0.00%     | 0.00%    |
| (F1) EPS Est 4 week change                              | 6.35%      | 0.00%      | 0.14%     | 43.16%         | 0.37%     | 2.50%    |
| (F1) EPS Est 12 week change                             | 43.16%     | -13.85%    | -3.51%    | 110.14%        | 10.01%    | -147.56% |
| (Q1) EPS Est Mthly Chg                                  | 0.59%      | 0.00%      | 0.00%     | 1.63%          | 0.00%     | 0.00%    |

---

## 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 have an excellent 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    | <b>B</b> |
| Growth Score   | <b>C</b> |
| Momentum Score | <b>F</b> |
| VGM Score      | <b>C</b> |

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

---

### Disclosures

**This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page.** Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.