ZACKS | Our Research. Your Success.

Apr 07, 2021

Las Vegas Sands Corp. (LVS)

$63.61 (As of 04/06/21)

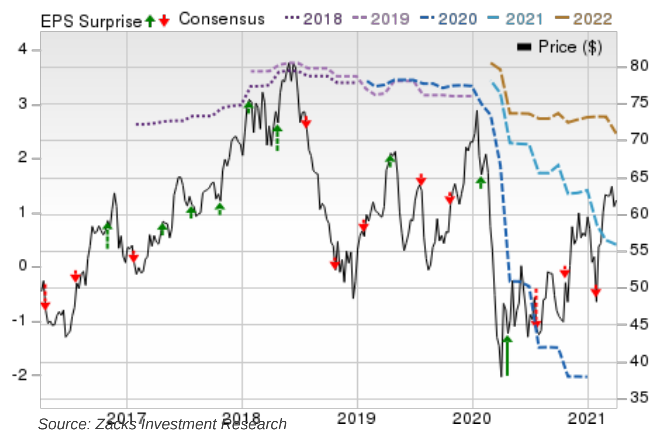
Price Target (6-12 Months): **$67.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/01/21) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:F
	Value: D | Growth: D | Momentum: F	

Summary

Shares of Las Vegas Sands have underperformed the industry in the past three months. Nonetheless, increased focus on business model, extensive non-gaming revenue opportunities and planned investment in new projects in Macao are likely to drive growth in the days ahead. This along with some entertainment offerings in the pipeline is anticipated to drive profitability across the company's properties. Management believes that investment will strengthen its position in Macao. However, coronavirus-related woes and low visitation continues to hurt the company. During the fourth quarter, visitations in Macao declined 20% year over year. Of late, earnings estimates for 2021 have witnessed downward revisions, reflecting analyst concern regarding the company's growth potential. Moreover, high debt remains a concern.

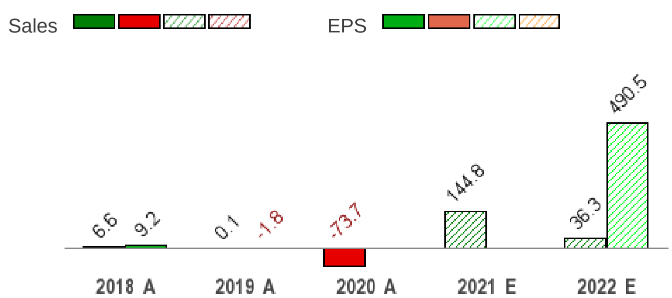
Price, Consensus & Surprise



Data Overview

52-Week High-Low	**$66.77 - $40.31**
20-Day Average Volume (Shares)	**4,446,167**
Market Cap	**$47.8 B**
Year-To-Date Price Change	**5.0%**
Beta	**1.47**
Dividend / Dividend Yield	**$0.00 / 0.0%**
Industry	**Gaming**
Zacks Industry Rank	**Bottom 17% (210 out of 253)**
Last EPS Surprise	**-19.4%**
Last Sales Surprise	**-6.5%**
EPS F1 Estimate 4-Week Change	**-16.0%**
Expected Report Date	**04/28/2021**
Earnings ESP	**2.8%**
P/E TTM	**NA**
P/E F1	**155.2**
PEG F1	**64.6**
P/S TTM	**13.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	2,478 E	2,609 E	2,756 E	2,896 E	12,050 E
2021	1,215 E	1,662 E	2,348 E	2,624 E	8,841 E
2020	1,782 A	98 A	586 A	1,146 A	3,612 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	$0.50 E	$0.56 E	$0.65 E	$0.74 E	$2.48 E
2021	-$0.29 E	-$0.06 E	$0.34 E	$0.48 E	$0.42 E
2020	-$0.03 A	-$1.05 A	-$0.67 A	-$0.37 A	-$2.12 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 04/06/2021. The report's text and the analyst-provided price target are as of 04/07/2021.

Overview

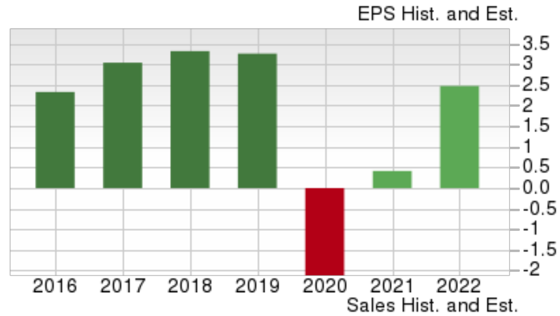
Based in Las Vegas, NV, Las Vegas Sands is a leading international developer of multi-use integrated resorts primarily operating in the U.S. and Asia.

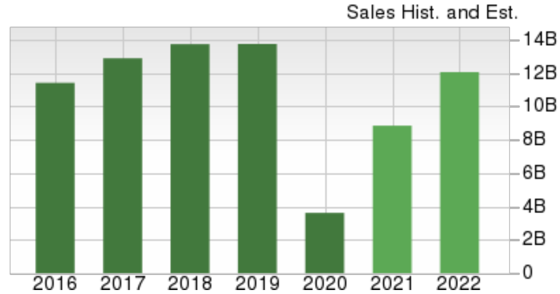
U.S. Business: In the U.S., the company owns two resorts and casinos. These properties are:

Las Vegas Operations: The company has three properties in Las Vegas – The Venetian Casino, Las Vegas, The Palazzo, Las Vegas and an Expo and Convention Center.

Asia Business: In Asia, the company owns and operates several properties in Macao, China and one in Singapore. These properties are as follows:

Macao Operations: Las Vegas Sands' integrated resort properties and other assets in Macao are owned and operated by Sands China Ltd., which is a majority-owned subsidiary of the company. The company's Macao business comprises the following resorts: Sands Macao, The Venetian Macao, Four Seasons Macao, The Parisian Macao and Sands Cotai Central (under development).





Sands Cotai Centralis Las Vegas Sands' master-planned resort-casino project under development in the Cotai Strip, Macao. A part of the project has begun its operations while the other part is still under construction. Post completion, Sands Cotai Central will comprise an integrated resort complex featuring rooms, suites and apart-hotel units, approximately 800,000 square feet of retail, entertainment and dining space and more than 550,000 square feet of meeting facilities and a multipurpose theater.

Meanwhile, on Sep 13, 2016, the company opened The Parisian Macao, an integrated resort which includes a 253,000-square-foot casino, approximately 3,000 rooms and suites; roughly 340,000 square feet of retail and dining space; a meeting room complex of around 63,000 square feet; and a 1,200-seat theater.

Marina Bay Sands, Singapore: The resort was opened in Jun 2010.

Source: Zacks Investment Research

Reasons To Buy:

Revenue diversification efforts, planned investment in new capital projects in Macao and higher revenues from The Parisian Macao will drive growth

- **A Strong Portfolio Acts as a Safeguard Against Economic Fluctuations:** Las Vegas Sands, one of the leading companies in the gaming and lodging industry, has a solid business model, extensive non-gaming revenue opportunities, high-quality assets and attractive property locations. The strong portfolio has somewhat aided the company in withstanding the economic downturn in China. Meanwhile, with the economy recovering in the United States, the company's business should continue to grow. Moreover, some entertainment offerings in the pipeline are expected to boost profitability across the company's properties.

- **Macao Business to Spur Growth:** Las Vegas Sands generates significant portion of revenues from Macao. In 2019, the company's Macao operations reported revenue growth of 1.7%. Moreover, adjusted EBITDA for Macao improved 3.6% in 2019. Additionally, it reported robust mass market growth in Macao during the same period.

  Las Vegas Sands has invested over $13 billion in Macao since 2004, consistently contributing to Macao's diversification and appeal as a business and leisure tourism destination. Despite the current scenario, the company announced that it will progress with its $2.2 billion investment in Macao. As of fourth-quarter 2020, total investment in Macao stands at more than $15 billion. Management believes that investment will strengthen its position in Macao. During the fourth quarter, the company opened the Grand Suite Four Seasons. It also plans to open Londoner Macao in a phased manner, with the first phase scheduled to open in February 2021. Backed by these investments, the company aims to capitalize on the likely structural growth in Macao in coming years to stay ahead of the curve in terms of quality and scale of its product and amenities.

  We also believe these new products along with The Parisian Macao would significantly bolster its strategic position and competitiveness across multiple segments. The company would be able to significantly grow its retail business and meetings, incentive, convention and exhibitions (MICE) space. Both these areas of business would aid non-gaming revenues, which would appeal to middle-class travelers. These projects thus demonstrate the company's commitment toward diversifying its business as these are not solely meant for gaming.

- **Singapore to Drive Growth:** Las Vegas Sands is quite confident about growth opportunity in Singapore, which is one of the top spots for gambling. Despite the coronavirus pandemic, the company announced it will continue to invest in the expansion of Marina Bay Sands, Singapore to strengthen its dominant position in the region. The company anticipates demand in Singapore to be robust after travel and tourism spending return to normal. Marina Bay Sands in Singapore is now open following the lifting of the coronavirus-induced shutdown.

Reasons To Sell:

> The coronavirus pandemic and stiff competition remain a concern for the company.

- **Top & Bottom Lines Decline Sharply in Q4:** Las Vegas Sands reported dismal fourth-quarter 2020 results, with earnings and revenues missing the Zacks Consensus Estimate. Also, the top and the bottom line declined on a year-over-year basis. Notably, the metrics missed the consensus mark for the third straight quarter. During fourth-quarter 2020, the company recorded adjusted loss per share of 37 cents, wider than the Zacks Consensus Estimate of a loss of 31 cents. In the prior-year quarter, the company had reported adjusted earnings of 88 cents per share. Quarterly revenues of $1,146 million missed the consensus mark of $1,226 million. The figure also declined 67.3% from the year-ago quarter's figure. Notably, the top line was impacted by lower occupancy rates and Revpar across all regions.

- **Coronavirus to Hurt Future Results:** The coronavirus pandemic is likely to hurt the company in first-quarter 2021. Earnings estimates for the current quarter and year have witnessed sharp downward revisions over the past seven days. Although casinos in Macau and Las Vegas are now open, the company is witnessing low visitation. During the fourth quarter, visitations in Macao declined 20%, year over year. Meanwhile, visitations in Singapore are unlikely as resolves to airlift issues are likely to take time.

  Previously, it announced that demand in Asia is likely to rebound more rapidly than the United States as Asian countries have dealt with deadly diseases like SARS and swine flu in the past. Visitation in Asia is likely to rebound but in phased manner. Moreover, the company has suspended its dividend program owing to the ongoing crisis.

- **High Debt A Concern:** Maintaining liquidity during the coronavirus pandemic has become a herculean task. As of Dec 31, 2020, the company had total debt of $13.9 billion, compared with $13.8 billion at the end of Sep 30. As of Dec 31, 2020, unrestricted cash balances amounted to $2.12 billion, down from $2.4 billion at the end of Sep 30, 2020, which may not be enough to manage the high debt level. At the end of fourth-quarter 2020, the company had debt-to-capital ratio of 0.79, compared with 0.78 at the end of third-quarter 2020.

- **Macao/China Regulatory Issues:** A tough operating environment in Macao weighed on casino stocks from June 2014 to most part of 2016. In fact, the crackdown on corruption in China compelled Macao officials to impose restrictions on high rollers to stop billions of dollars from being siphoned off illegally from mainland China to Macao. Consequently, this lowered footfall at the local casinos, leading to a constant decline in gaming revenues. A slowdown in China, tighter visa policies, political unrest and a smoking ban on mass market gaming floors compounded the woes.

  Nevertheless, Macao's gambling revenues marked a turnaround and have been rising since the second half of 2016 with new resorts attracting high rollers as well as leisure gamblers. Meanwhile, efforts undertaken by Macao operators to revive revenues by wooing tourists and recreational gamblers with family-friendly resorts and more non-gaming facilities have also started yielding results. However, the Macao government has joined hands with the mainland authorities to tackle money laundering and terrorism financing, and beefed up its anti-money laundering framework with a much wider scope and stringent compliance measures. In sync with this, new security measures including facial recognition at ATM machines are also being rolled out. Earlier, the government had put withdrawal limit on each ATM transaction to stem the recent increase in overseas ATM withdrawals. While these policies might be helpful in the long run, they are likely to restrict gaming revenues in the near term. Moreover, Macao's Gaming Inspection and Coordination Bureau ("DICJ") is increasing its audits of the junket industry owing to worries of money laundering. Markedly, junkets are responsible for about half the gaming revenue in Macao. Thus, this latest crackdown may hamper Macao's revenue growth. This, in turn, may weigh down on the company's performance in the region.

- **Heightened Competition:** Increased hotel openings and promotional activities have made Las Vegas and Macao markets highly competitive. Thus, excess supply, especially in the Macao market, might reduce the company's market share. The company's recently opened The Parisian Macao along with other upcoming resorts at the Cotai Strip faces extreme peer pressure from several Chinese casino operators and other U.S.-based companies. Wynn Resorts opened a full-scale integrated resort, Wynn Palace, on the Cotai Strip for over $4 billion in Aug 2016. Another U.S.-based casino giant, MGM Resorts International, has opened resort in Cotai in 2018. These openings might pose a huge threat to the company's business in the region.

Last Earnings Report

Las Vegas Sands Q4 Earnings Miss Estimates, Fall Y/Y

Quarter Ending	12/2020
Report Date	Jan 27, 2021
Sales Surprise	-6.52%
EPS Surprise	-19.35%
Quarterly EPS	-0.37
Annual EPS (TTM)	-2.12

Las Vegas Sands reported dismal fourth-quarter 2020 results, with earnings and revenues missing the Zacks Consensus Estimate. Also, the top and the bottom line declined on a year-over-year basis. Notably, both the metrics missed the consensus mark for the third straight quarter.

Despite the dismal performance, management stated that recovery from the coronavirus pandemic continues in all markets. Also, its strong balance sheet is likely to support its capital expenditure programs in Macao and Singapore as well as provide other growth opportunities in new markets.

Earnings & Revenue Discussion

During fourth-quarter 2020, the company recorded adjusted loss per share of 37 cents, wider than the Zacks Consensus Estimate of a loss of 31 cents. In the prior-year quarter, the company had reported adjusted earnings of 88 cents per share. During the quarter, interest expenses (net of amounts capitalized) came in at $150 million compared with $134 million in the prior-year quarter.

Quarterly revenues of $1,146 million missed the consensus mark of $1,226 million. The figure also declined 67.3% from the year-ago quarter's figure. Notably, the top line was impacted by lower occupancy rates and Revpar across all regions.

Asian Operations

Las Vegas Sands' Asia business includes the following resorts:

The Venetian Macao

During the fourth quarter, net revenues plunged 64% year over year to $327 million. Casino and rooms revenues amounted to $243 million and $21 million, down 67.5% and 61.1%, respectively. Food and beverage as well as convention, retail and other revenues declined 64.7% and 66.7% year over year to $6 million each, respectively. Mall revenues contracted 28.2% year over year to $51 million.

Adjusted property EBITDA during the fourth quarter came in at $73 million compared with $368 million reported in the prior-year quarter.

Non-rolling chip drop declined 58% and rolling chip volumes fell 79.4% on a year-over-year basis.

During the quarter, the segment's hotel Revpar declined 62.4% year over year to $82 million, while occupancy rates came in at 49.3% compared with 97.2% in the prior-year quarter.

The Londoner Macao

During the fourth quarter, net revenues nosedived 81.2% year over year to $95 million due to declines of 83.4%, 83.3% and 78.3% in casino, rooms and food and beverage revenues, respectively. Moreover, mall as well as convention, retail and other revenues declined 35% and 80% year over year, respectively.

Adjusted property EBITDA plunged 118.9% year over year to ($34) million.

Both non-rolling chip drop and rolling chip volume fell 82.4% and 100% year over year, respectively.

During the quarter, the segment's hotel Revpar declined 79.3% year over year to $34 million, while occupancy rates came in at 22.2% compared with 98.5% in the prior-year quarter.

The Parisian Macao

During the fourth quarter, revenues amounted to $101 million, down 74.8% year over year. The downside was caused by a slump of 79.3% in casino revenues. It was further aggravated by declines of 54.5%, 70.6%, 15.4% and 75% in rooms, food and beverage, mall, convention and other retail revenues, respectively.

Adjusted property EBITDA plunged 105.7% year over year to ($7) million.

Both non-rolling chip drop and rolling chip volumes fell 64.1% and 87.2% year over year, respectively.

During the quarter, the segment's hotel Revpar declined 57.4% year over year to $66 million. Occupancy rates came in at 50% compared with 97.6% in the prior-year quarter.

The Plaza Macao and Four Seasons Hotel Macao

During the fourth quarter, net revenues tanked 53.7% to $114 million owing to declines of 65.7%, 37.5%, 29.8%, in casino, food and beverage and mall revenues, respectively.

Adjusted property EBITDA in the reported quarter totaled $38 million, thereby plummeting 62.7% on a year-over-year basis.

Both non-rolling chip drop and rolling chip volume declined 36.7% and 64.7% year over year, respectively.

During the quarter, the segment's hotel Revpar declined 39% year over year to $189 million, while occupancy rates came in at 42% compared with 92.9% in the prior-year quarter.

Sands Macao

During the fourth quarter, revenues were down 78.7% year over year to $32 million owing to declines of 80.3%, 40%, 71.4% in casino, rooms, food and beverage revenues, respectively.

Adjusted property EBITDA in the reported quarter totaled ($18) million, declining 145% on a year-over-year basis.

Both non-rolling chip drop and rolling chip volume fell 79.2% and 51.8% year over year, respectively.

During the quarter, the segment's hotel Revpar declined 44.9% year over year to $98 million, while occupancy rates came in at 69.6% compared with 100% in the prior-year quarter.

Marina Bay Sands, Singapore

During the fourth quarter, net revenues plunged 59.6% year over year to $345 million owing to declines of 62%, 64%, 53.6%, 27.8% and 67.9% in casino, rooms, food and beverage, mall, and convention, retail and other revenues, respectively.

Adjusted property EBITDA in the reported quarter totaled 144 million, reflecting a slump of 68.5% on a year-over-year basis.

Both non-rolling chip drop and rolling chip volumes declined 54.8% and 84.1% year over year, respectively.

During the quarter, the segment's hotel Revpar declined 63.9% year over year to $158 million, while occupancy rates came in at 69% compared with 97.3% in the prior-year quarter.

Domestic Operations

Las Vegas

During the fourth quarter, net revenues from Las Vegas operations dropped 68.4% year over year to $150 million owing to declines of 55.2% and 77.2% in casino as well as food and beverage revenues, respectively. Rooms revenues also slumped 73.2% year over year. Moreover, convention, retail and other revenues declined 67.6% year over year.

Adjusted property EBITDA in the reported quarter totaled ($50) million, down 141.7% on a year-over-year basis.

Table games drop were down 46.5%, while slot handle fell 32.3% on a year-over-year basis.

During the reported quarter, Revpar declined 66.1% year over year to $81 million, while occupancy rates came in at 43.9% compared with 94.5% in the prior year quarter.

Operating Results

On a consolidated basis, adjusted property EBITDA totaled $141 million in the fourth quarter 2020 compared with $1.39 billion reported in the prior-year quarter. Las Vegas operating properties, Sands Macao, The Plaza Macao and Four Seasons Hotel Macao, Venetian Macao, The Londoner Macao, The Parisian Macao and Marina Bay Sands, all witnessed declines in adjusted EBITDA.

Balance Sheet

As of Dec 31, 2020, unrestricted cash balances amounted to $2.12 billion. Total debt outstanding (excluding finance leases) was $13.98 billion.

In the reported quarter, capital expenditures totaled $252 million, thanks to construction, development and maintenance activities of $201 million in Macao, $24 million in Las Vegas and $27 million at Marina Bay Sands.

2020 Highlights

Net revenues in 2020 came in at $3,612 million compared with $13,739 million in 2019.

Operating loss in 2020 came in at $1.69 billion against an operating income of $3.70 billion in 2019.

In 2020, diluted loss per share came in at ($2.21) per share against earnings of $3.50 in the previous year.

Valuation

Las Vegas Sands' shares are up by 6.7% in the year-to-date period and up by 36.6% over the trailing 12-month period. Stocks in the Zacks sub-industry is up by 22.6, and the Zacks Consumer Discretionary sector is up by 2.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry is up by 103.1% and the sector is up by 58.9%.

The S&P 500 index is up 9% in the year-to-date period and 51.1% in the past year.

The stock is currently trading at 5.01x forward 12-month sales, which compares to 5.15x for the Zacks sub-industry, 2.89x for the Zacks sector and 4.71x for the S&P 500 index.

Over the past five years, the stock has traded as high as 5.36x and as low as 2.21x, with a 5-year median of 3.74x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $67 price target reflects 5.27x forward 12-month sales.

The table below shows summary valuation data for LVS.

Valuation Multiples - LVS

		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	5.01	5.15	2.89	4.71
	5-Year High	5.36	5.15	2.89	4.71
	5-Year Low	2.21	1.6	1.72	3.21
	5-Year Median	3.74	2.69	2.51	3.71
P/B TTM	Current	13.73	7.07	3.85	6.89
	5-Year High	14.29	7.61	4.87	6.9
	5-Year Low	4.15	1.91	2.24	3.83
	5-Year Median	7.02	4.14	4.07	4.98
EV/EBITDA TTM	Current	657.2	180.9	14.2	18.17
	5-Year High	678.7	192.7	17.96	18.19
	5-Year Low	8.96	7.21	8.32	9.62
	5-Year Median	14.57	13.75	12.3	13.35

As of 04/06/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 17% (210 out of 253)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Boyd Gaming Corporation **(BYD)**	Neutral	3
Century Casinos, Inc. **(CNTY)**	Neutral	3
Caesars Entertainment, Inc. **(CZR)**	Neutral	3
MGM Resorts International **(MGM)**	Neutral	3
Melco Resorts & Entertainment Limited **(MLCO)**	Neutral	3
Penn National Gaming, Inc. **(PENN)**	Neutral	3
Wynn Resorts, Limited **(WYNN)**	Neutral	3
Churchill Downs, Incorporated **(CHDN)**	Underperform	5

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

Industry Comparison Industry: Gaming

	LVS	X Industry	S&P 500	MGM	PENN	WYNN
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	F	B	F
Market Cap	47.82 B	3.21 B	29.96 B	20.64 B	16.72 B	15.16 B
# of Analysts	6	3	12	8	8	6
Dividend Yield	0.00%	0.00%	1.29%	0.02%	0.00%	0.00%
Value Score	D	-	-	D	C	F
Cash/Price	0.05	0.10	0.06	0.26	0.11	0.24
EV/EBITDA	-154.04	17.39	16.88	67.90	225.93	-54.85
PEG F1	64.64	1.51	2.38	NA	NA	NA
P/B	13.52	5.44	3.99	1.84	6.30	NA
P/CF	NA	21.81	16.85	NA	49.05	NA
P/E F1	155.15	29.75	22.08	NA	64.12	NA
P/S TTM	13.24	4.00	3.42	4.00	4.67	7.23
Earnings Yield	0.65%	0.92%	4.45%	-5.28%	1.56%	-3.14%
Debt/Equity	3.94	0.55	0.66	1.11	2.40	-16.91
Cash Flow ($/share)	-0.48	0.17	6.78	-1.49	2.12	-11.99
Growth Score	D	-	-	F	A	F
Historical EPS Growth (3-5 Years)	-4.75%	-7.28%	9.39%	-12.41%	-33.64%	8.35%
Projected EPS Growth (F1/F0)	119.58%	82.35%	15.29%	-8.91%	133.32%	78.55%
Current Cash Flow Growth	-109.66%	-27.94%	0.44%	-142.05%	-29.24%	-238.52%
Historical Cash Flow Growth (3-5 Years)	NA%	-0.81%	7.37%	NA	4.32%	NA
Current Ratio	1.15	1.56	1.39	3.21	2.42	2.03
Debt/Capital	79.75%	42.36%	41.26%	52.67%	70.44%	NA
Net Margin	-46.65%	-15.78%	10.59%	-20.01%	-18.71%	-98.64%
Return on Equity	-37.24%	-3.96%	14.86%	-16.37%	-2.68%	-327.32%
Sales/Assets	0.17	0.34	0.51	0.14	0.25	0.15
Projected Sales Growth (F1/F0)	144.77%	14.31%	7.36%	61.70%	39.02%	102.39%
Momentum Score	F	-	-	C	A	B
Daily Price Change	1.61%	0.34%	0.05%	-0.43%	-2.57%	4.04%
1-Week Price Change	1.39%	1.57%	0.35%	5.36%	0.88%	0.53%
4-Week Price Change	2.40%	1.97%	5.11%	10.78%	-10.00%	1.77%
12-Week Price Change	12.35%	11.96%	8.79%	37.08%	-1.76%	23.97%
52-Week Price Change	48.97%	163.03%	60.17%	204.62%	843.70%	124.11%
20-Day Average Volume (Shares)	4,446,167	390,717	2,103,543	8,606,614	6,194,854	2,033,846
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	1.31%	0.00%	2.03%
EPS F1 Estimate 4-Week Change	-16.04%	0.00%	0.00%	-2.42%	0.51%	0.18%
EPS F1 Estimate 12-Week Change	-67.80%	-16.49%	2.24%	-47.42%	2.22%	-63.05%
EPS Q1 Estimate Monthly Change	-1,400.00%	0.00%	0.00%	-2.46%	0.25%	3.27%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	D
Growth Score	D
Momentum Score	F
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.

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.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forwardlooking 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 mediumterm 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 mostrecent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every $1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at $35 and expected to earn $3 per share in the current fiscal year (F1), would be 0.0857 (3/35 = 0.0857) or 8.57%. In other words, for $1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow ($/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every $1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every $1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated $2.50 in sales for every $1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is $1.10 now versus $1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from $1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.