Lamb Weston (LW)

$78.00 (As of 03/23/21)

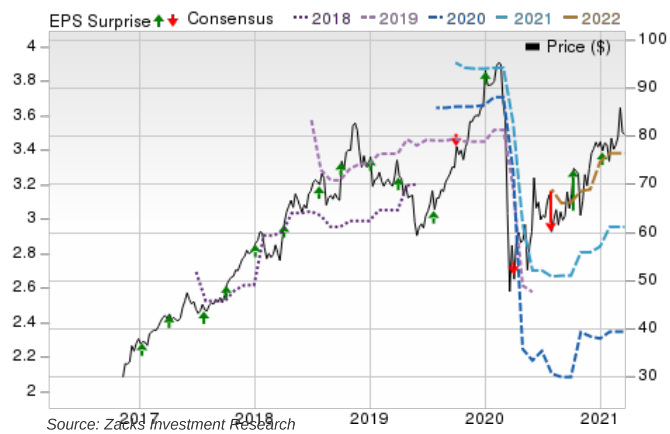
Price Target (6-12 Months): **$83.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/01/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: D | Momentum: C	

Summary

Lamb Weston has outpaced the industry in the past six months. The stock got a boost despite seeing a year-over-year decline in second-quarter fiscal 2021 earnings and sales. During the quarter, both metrics beat the consensus mark. Though sales were marred by continued hurdles in the foodservice channel, the company's retail business remained strong. Retail volumes were backed by rising demand due to the pandemic-led higher at-home consumption. Also, the company's shipment data for the third quarter (till Dec 27) reflects strength in Retail. However, soft demand for frozen potato products in the away-from-home channel due to restrictions on restaurants and other foodservice channels, along with the impact of cold weather on outside dining,is a worry for the Foodservice unit. Also, elevated pandemic-related costs are likely to linger.

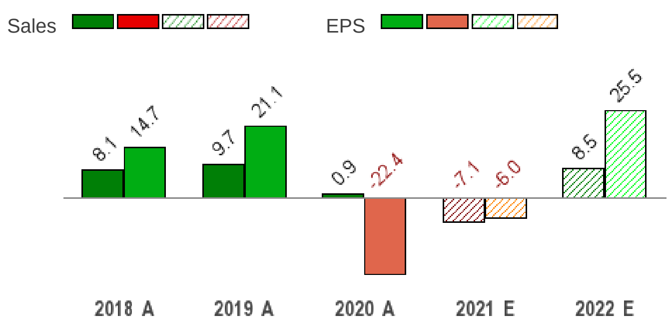
Price, Consensus & Surprise



Data Overview

52-Week High-Low	$86.41 - $48.12
20-Day Average Volume (Shares)	1,121,674
Market Cap	$11.4 B
Year-To-Date Price Change	-0.9%
Beta	0.80
Dividend / Dividend Yield	$0.94 / 1.2%
Industry	Food - Miscellaneous
Zacks Industry Rank	Bottom 32% (173 out of 253)
Last EPS Surprise	6.5%
Last Sales Surprise	2.1%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	04/07/2021
Earnings ESP	0.0%
P/E TTM	38.4
P/E F1	33.2
PEG F1	4.4
P/S TTM	3.2

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	949 E	957 E	885 E	956 E	3,821 E
2021	872 A	896 A	822 E	932 E	3,522 E
2020	989 A	1,019 A	937 A	847 A	3,792 A

EPS Estimates

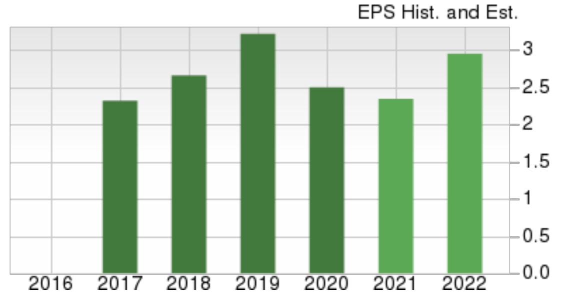
	Q1	Q2	Q3	Q4	Annual*
2022	$0.74 E	$0.86 E	$0.67 E	$0.66 E	$2.95 E
2021	$0.61 A	$0.66 A	$0.53 E	$0.57 E	$2.35 E
2020	$0.79 A	$0.95 A	$0.77 A	-$0.01 A	$2.50 A

*Quarterly figures may not add up to annual.

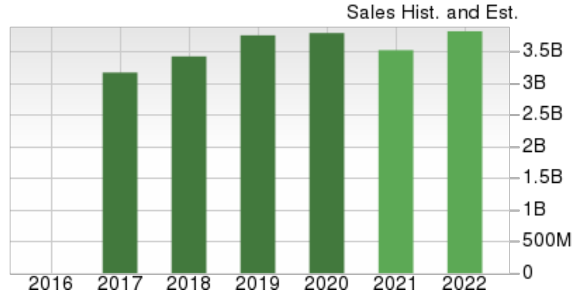
The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/23/2021. The report's text and the analyst-provided price target are as of 03/24/2021.

Overview

Based in Eagle, ID, Lamb Weston Holdings, Inc. is a leading global manufacturer, marketer and distributor of value-added frozen potato products, particularly French fries, and also provides a range of appetizers.



Lamb Weston was formed in July 2016 as a wholly owned subsidiary of Conagra Brands, while it was spun off from the latter in November 2016 when it began operating independently. Lamb Weston, along with its joint venture allies, is the top frozen potato products supplier in North America, while it also operates internationally, with a robust and growing presence in emerging markets. The company mainly serves retail and foodservices customers.



Lamb Weston operates through the following segments:

Global (50.7% of FY20 Sales): This includes the top 100 North American restaurant chains and international customers such as global and regional restaurant chains, foodservice distributors, and retailers. The segment also incorporates non-U.S. and non-Canadian retail and foodservice customers. Global segment products include frozen potatoes, sweet potatoes and appetizers sold under the Lamb Weston brand, alongside other customer labels.

Foodservice (20.8% of FY20 Sales): This includes products sold all over the United States and Canada, mainly to commercial distributors and restaurant chains, other than the top 100 North American restaurants. Foodservice, which also caters to non-commercial networks, sells frozen potatoes, sweet potatoes, commercial ingredients and appetizers.

Retail (23.8% of FY20 Sales): This includes customer-facing products sold mainly to grocery, mass merchants, clubs and specialty retailers. Main products of this segment include frozen potatoes and sweet potato items sold under the company's owned or licensed brands like Grown in Idaho and Alexia, among other selling channels.

Other (4.7% of FY20 Sales): This mainly includes the company's vegetable and dairy operations.

Also, Lamb Weston operates through two unconsolidated joint ventures ("JVs") and incorporates its share of earnings from these as equity method earnings. Lamb Weston has 50% stake in its JV with Meijer Frozen Foods and an equal stake in potato processing venture with RDO Frozen Co.

Source: Zacks Investment Research

Reasons To Buy:

> Lamb Weston’s second-quarter fiscal 2021 results benefited from robust price/mix and strength in the Retail segment.

▲ **Strength in Retail Business:** Shares of Lamb Weston have gained 20.2% in the past three months compared with the industry's growth of 15.6%. The stock got a boost despite the company posting a year-over-year decline in earnings and sales in the second quarter of fiscal 2021. During the quarter, both earnings and sales beat the consensus mark. Though sales were marred by continued hurdles in the foodservice channel, the company's retail business remained strong. We note that Lamb Weston boasts a solid Retail segment, which comprises of revenues of private label and branded items to mass merchant, grocery and club customers across North America. The company's Retail business sales jumped7% to $140.7million in the second quarter. Price/mix rose 7%, thanks to better mix stemming from higher sales of branded products. Volumes climbed marginally on the back of robust growth in shipments of mainstream and premium brand offering.

Product contribution margin improved 6% to $30.1 million on the back of improved mix and reduced advertising and promotional costs. Higher at-home consumption amid the pandemic is likely to keep aiding Lamb Weston's retail business in the near term. Incidentally, the company provided an update on the shipping trends for the first four weeks of the third quarter of fiscal 2021, until Dec 27, 2020. In this regard, the company's shipments in the United States were nearly 85% of the prior-year levels, driven by shipments to QSR and large full-service chain restaurants, as well as to customers served by the Retail segment.

▲ **Robust Price/Mix:** Lamb Weston's top line has been benefiting from robust price/mix, as also witnessed during the second quarter of fiscal 2021.During the quarter, price/mix rose 2% on the back of improved pricing in the Retail and Foodservice segments, along with a better mix in the Retail unit.This somewhat aided sales, which wereotherwise negatively impacted by lower volumes. Price/mix rose 7% and 4%inthe Retail and Foodservice segments, respectively. Continuity of such trends is likely to augment sales.

▲ **Reduced SG&A Expenses:** The company has been seeing a year-over-year decline in SG&A expenses, courtesy of lower advertising and promotional costs, for the past few quarters. During the second quarter of fiscal 2021, Lamb Weston's SG&A expenses declined $7.7 million to reach $83.9 million on the back of reduced advertising and promotional costs as well as a decline in incentive compensation costs.

▲ **Financial Status:** Lamb Weston's long-term debt and financing obligations (excluding current portion) of $2,719.4 million as of Nov29, 2020, declined from the preceding quarter's figure of $2,980.8 million. Moreover, the company unveiled an amendment to its revolving credit facility on Sep 17, increasing its capacity to $750 million, with the maturity extended to Sep 17, 2023. In connection with this, the company utilized cash in hand to pay the outstanding term loan facility of $271.9 million that was due in November 2021. As of the fiscal month ended Sep 27, 2020, Lamb Weston did not have any outstanding borrowings on its amended revolving credit facility andhad cash and cash equivalents of nearly $764 million.

Apart from this,the company paid out dividends worth $67.2 million in the first half of fiscal 2021 and declared a dividend hike of 2%. In the third quarter of fiscal 2021, the company intends to resume its share buyback plan, which was temporarily suspended during late fiscal 2020 due to the pandemic. The company has a dividend payout of 45.8%, a dividend yield of 1.1% and a free cash flow yield of 3.5%. With an annual free cash flow return on investment of 14%, ahead of the industry's 9.9%, the dividend payment is likely to be sustainable.

▲ **Efforts to Boost Offerings & Expand Capacity:** Lamb Weston has been undertaking initiatives to boost offerings and operating capacity. These efforts enable the company to effectively meet rising demand conditions for snacks and fries. Markedly, it completed the acquisition of joint venture interests in Lamb Weston BSW sometime around mid-fiscal 2019. Among other moves, the company acquired Australia-based companies Ready Meals and Marvel Packers in 2019 and 2018, respectively. These buyouts have bolstered Lamb Weston's market share in Australia. Speaking on capacity expansion endeavors, the company completed the expansion of a facility located at Hermiston, Oregon on Jun 18, 2019. The expansion has facilitated the addition of a new processing line for increasing the production of frozen french fries. This is expected to cater to demand in North America and key export markets as well as support production needs emerging from, innovation and limited time offerings (LTOs).

Reasons To Sell:

- **Lower Demand in Foodservice Channel Dents Sales:** Lamb Weston has been bearing the brunt of the adverse impact of the pandemic on traffic at restaurants and other non-commercialfoodservice customers such as lodging, hospitality, healthcare, schools and universities to name a few.This has been denting demand in the away-from-home lines. Such challenges were witnessed in the company's second-quarter fiscal 2021 results, wherein both top and bottom lines declined year over year. Net sales came in at $896.1 million, which declined 12% year on year. Volumes fell 14% year over year due to a decline in demand for frozen potato products in the away-from-home channel stemming from restrictions on restaurants and other foodservice operations to curb the coronavirus spread. Also, reduced outdoor dining traffic in many American markets due to the cold weather hurt volumes. Apart from this, volumes were negatively impacted by unfavorable year-over-year comparisons related to additional shipping days in the year-ago period quarter's Thanksgiving holiday.

Lamb Weston has been bearing the brunt of the adverse impact of the pandemic on traffic at restaurants and other foodservice channels. Also, COVID-19 costs are likely to remain high.

  Foodservice sales declined 21% to $241.1 million. Price/mix rose 4%, whereas volumes declined 25%. Volumes were marred by lower demand due to pandemic-led traffic declines at restaurants and non-commercial customers like lodging and hospitality, schools, sports and entertainment, and workplace environments, among others. Soft restaurant traffic, unfavorable comparison related to the Thanksgiving holiday and the impact of the cold weather on outside dining hurt volumes in the latter weeks of the second quarter. Shipments to full-service restaurants in the Foodservice segment are expected to remain soft through the rest of the third quarter owing to government restrictions regarding the pandemic and limitations on outside dining due to the cold weather. Shipments to non-commercial customers in the Foodservice segment are also likely to remain weak throughout the third quarter. We note that a major resurgence in coronavirus cases in the United States and Europe has caused the government to levy more stern social limitations. This is likely to have a greater impact on traffic and demand.

- **Weakness in Global Unit:** Lamb Weston's Global segment has been seeing soft sales and product contribution margin for four quarters now. Sales in the segment dropped 12% year over year in the second quarter of fiscal 2021. Volumes and price/mix fell 11% and 1%, respectively. Volumes were hurt by lower demand for frozen potato products away from home due to the adverse impact of coronavirus on restaurants and other foodservice-related traffic in the United States as well as core international markets. Also, an unfavorable comparison related to the Thanksgiving holiday, as discussed above, was a deterrent. Product contribution margin in the segment declined 28% to $92.7 million due to reduced sales volumes, elevated manufacturing expenses and adverse mix.

- **COVID-19 Costs:** High COVID-19-related costs have been weighing on Lamb Weston's gross margin for the past few quarters now.In the second quarter of fiscal 2021,gross profit decreased 21.6% to $223.5 million due to soft sales and escalated manufacturing costs, which in turn stemmed from additional costs related to the impact of COVID-19 on Lamb Weston's manufacturing and supply-chain operations, input cost inflation and costs associated with processing raw potatoes. The company saw input cost inflation in low-single digits in the quarter under review. Increased pandemic-led costs were a deterrent in all segments.The company anticipates continued incremental pandemic-led costs at its manufacturing, commercial, functional support and supply-chain operations. These include costs related to ensuring sanitization, and health and safety, increased transportation and warehousing expenses, and costs to retain functional support workers, among others. However, it is taking strong measures to curtail the cost structure and expand efficiencies in manufacturing as well as commercial operations.

- **Intense Market Competition:** The company remains exposed to stiff competition in the frozen potato product space in North America, Europe and other global markets. The company competes with large frozen potato product players that operate globally, and also with local and regional firms on the basis of customer service, innovation, product quality, price and loyalty among other attributes.

Last Earnings Report

Lamb Weston Q2 Earnings & Sales Top Estimates, Fall Y/Y

Quarter Ending	11/2020
Report Date	Jan 07, 2021
Sales Surprise	2.07%
EPS Surprise	6.45%
Quarterly EPS	0.66
Annual EPS (TTM)	2.03

Lamb Weston reported second-quarter fiscal 2021 results. Earnings of 66 cents per share declined 31% year over year due to elevated interest costs and lower income from operations, somewhat negated by a rise in equity method investment earnings. The bottom line, however, easily surpassed the Zacks Consensus Estimate of 62 cents per share. Net sales came in at $896.1 million, which declined 12% year on year, though it beat the consensus mark of $878 million. Volumes fell 14% year over year due to a decline in demand for frozen potato products in the away-from-home channel stemming from restrictions on restaurants and other foodservice operations to curb the coronavirus spread. Also, reduced outdoor dining traffic in many American markets due to the cold weather hurt volumes. Apart from this, volumes were negatively impacted by unfavorable year-over-year comparisons related to additional shipping days in the year-ago period quarter's Thanksgiving holiday. Notably, the price/mix rose 2% on the back of improved pricing in the Retail and Foodservice segments, along with a better mix in the Retail unit.

Gross profit decreased 21.6% to $223.5 million due to soft sales and escalated manufacturing costs, which in turn stemmed from additional costs related to the impact of COVID-19 on Lamb Weston's manufacturing and supply-chain operations, input cost inflation and costs associated with processing raw potatoes. This was partly cushioned by a change in unrealized mark-to-market adjustments related to commodity hedging contracts. SG&A expenses declined $7.7 million to reach $83.9 million on the back of reduced advertising and promotional costs as well as a decline in incentive compensation costs. This was somewhat compensated by investments to enhance the company's operations and IT infrastructure.

Segment Analysis

Sales in the **Global** segment dropped 12% to $475.9 million. Volumes and price/mix fell 11% and 1%, respectively. Volumes were hurt by lower demand for frozen potato products away from home due to the adverse impact of coronavirus on restaurants and other foodservice-related traffic in the United States as well as core international markets. Also, an unfavorable comparison related to the Thanksgiving holiday, as discussed above, was a deterrent. Product contribution margin in the segment declined 28% to $92.7 million due to reduced sales volumes, elevated manufacturing expenses and adverse mix.

Foodservice sales declined 21% to $241.1 million. Price/mix rose 4%, whereas volumes declined 25%. Volumes were marred by lower demand due to pandemic-led traffic declines at restaurants and non-commercial customers like lodging and hospitality, schools, sports and entertainment, and workplace environments, among others. Soft restaurant traffic, unfavorable comparison related to Thanksgiving holiday and impact of the cold weather on outside dining hurt volumes in the latter weeks of the second quarter. Product contribution margin fell 21% to reach $87.7 million on account of reduced sales volumes, elevated manufacturing expenses and adverse mix, somewhat made up by improved pricing.

In the **Retail** segment, sales grew 7% to $140.7 million. Price/mix rose 7%, thanks to better mix stemming from higher sales of branded products. Volumes climbed marginally as robust growth in shipments of mainstream and premium brand offerings was countered by reduced shipments of private-label products. Product contribution margin improved 6% to $30.1 million on the back of improved mix and reduced advertising and promotional costs. This was partly countered by elevated manufacturing costs.

Other Updates

Management paid out dividends worth $67.2 million and declared a dividend hike of 2%. In the third quarter of fiscal 2021, the company intends to resume its share buyback plan, which was temporarily suspended during late fiscal 2020 due to the pandemic.

The company provided an update on the shipping trends for the first four weeks of the third quarter of fiscal 2021, until Dec 27, 2020. In this regard, the company's shipments in the United States were nearly 85% of the prior-year levels, driven by shipments to QSR and large full-service chain restaurants, as well as to customers served by the Retail segment. Shipments to full-service restaurants in the Foodservice segment are expected to remain soft through the rest of the third quarter owing to government restrictions regarding the pandemic and limitations on outside dining due to the cold weather. Shipments to non-commercial customers in the Foodservice segment are also likely to remain weak throughout the third quarter.

Shipments in Europe were nearly 85% of the year-ago level. Demand was hampered by soft restaurant traffic due to the reasons discussed above. In fact, management expects these deterrents to continue weighing on shipments during the third quarter. Shipments to other core markets in Asia and Latin America were weaker than the shipment rates during the latter half of the second quarter. While the availability of a government-approved vaccine by mid-2021 may help relax social restrictions and improve restaurant traffic, the company expects tough and volatile conditions in the coming months. Management said that demand may weaken, particularly at full-service restaurants, due to continued social restrictions imposed by the government and limited outside dining owing to the cold weather.

On the cost front, the company is focused on taking steps to curtail the cost structure and expand efficiencies in manufacturing as well as commercial operations. These include closing down of facilities temporarily, modifying production schedules and more. However, the company anticipates continued incremental pandemic-led costs at its manufacturing, commercial, functional support and supply-chain operations. These include costs related to ensuring sanitization, and health and safety, increased transportation and warehousing expenses, and costs to retain functional support workers, among others.

Recent News

Lamb Weston Introduces Fresh Fries in Mercosur, Aids Growth - Mar 10, 2021

Lamb Weston is focused on undertaking initiatives to boost offerings and enhance market presence. Progressing along these lines, the company announced that its branded french fries are now available in Mercosur. Notably, the company's joint venture with Sociedad Comercial del Plata in Argentina, called Lamb Weston Alimentos Modernos S.A. (AMSA), will bring the Lamb Weston brand to Foodservice across the region.

We note that Alimentos Modernos has been manufacturing good quality french fries for more than 30 years in Argentina. Incidentally, it has an in-depth understanding of the potato category as well as consumers' preferences in Mercosur. Markedly, the company runs almost 70,000 MT production facility in Munro, Buenos Aires, Argentina.

Well, the partnership will help Lamb Weston provide local items along with export specialties from across the globe to thealmost 900,000 MT Latin American market. Notably, Lamb Weston boasts a strong global presence as it serves many quick service restaurants. Also, it is recognized as one of the largest frozen french fry manufacturers worldwide. The company along with its joint ventures runs 27 production plants globally.

Incidentally, four Lamb Weston branded traditional straight cut items were rolled out from the AMSA production plant on Feb 8, 2021, locally. Specialty cuts including wedges and CrissCut are going to be imported from Europe to meet customers' preference. Morixe brand will focus in Retail channel, while Lamb Weston will take over the Foodservice space. Rapipap brand will be available for purchase in both the aforementioned channels.

Lamb Announces Dividend – Dec 18, 2020

Lamb Weston announced a quarterly dividend of 23.5 cents per share. This is payable on Mar 5, 2021 to shareholders of record as on Feb 5.

Valuation

Lamb Weston's shares are down 0.9% in the year-to-date period but up 38.4% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 0.5%, while the Zacks Consumer Staples sector gained 0.6% in the year to date period. Over the past year, the Zacks sub-industry went up 46.2% while the sector gained 35.6%.

The S&P 500 index is up 5.3% in the year to date period and 61.1% in the past year.

The stock is currently trading at 27.47X forward 12-month earnings, which compares to 19.68X for the Zacks sub-industry, 20.16X for the Zacks sector and 22.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 33.25X and as low as 12.26X, with a 5-year median of 21.78X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $83 price target reflects 29.12X forward 12-month earnings.

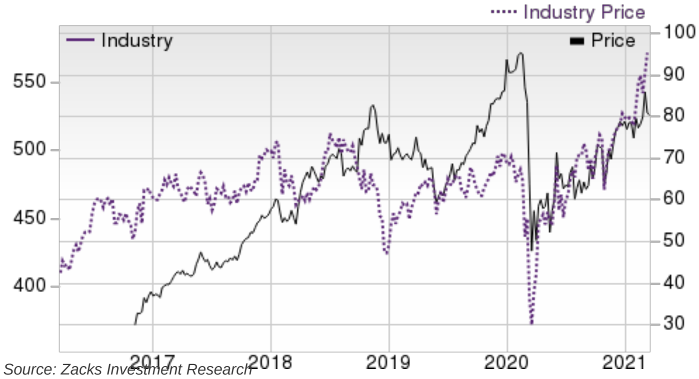
The table below shows summary valuation data for LW

Valuation Multiples - LW

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	27.47	19.68	20.16	22.3
	5-Year High	33.25	22.91	22.4	23.8
	5-Year Low	12.26	14.75	16.52	15.3
	5-Year Median	21.78	18.53	19.53	17.9
P/S F12M	Current	3.03	1.76	10.69	4.55
	5-Year High	3.38	2.03	11.96	4.55
	5-Year Low	1.53	1.38	8.6	3.21
	5-Year Median	2.58	1.69	10.47	3.69
EV/EBITDA F12M	Current	15.37	12.7	35.6	17.22
	5-Year High	16.39	13.75	38.26	18.82
	5-Year Low	9.51	10.61	25.84	13.03
	5-Year Median	13.96	12.76	34.1	15.77

As of 03/23/2021 *Source: Zacks Investment Research*

Industry Analysis Zacks Industry Rank: Bottom 32% (173 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The Hain Celestial Group, Inc. **(HAIN)**	Outperform	2
Darling Ingredients Inc. **(DAR)**	Neutral	3
Flowers Foods, Inc. **(FLO)**	Neutral	4
General Mills, Inc. **(GIS)**	Neutral	3
McCormick & Company, Incorporated **(MKC)**	Neutral	3
Nomad Foods Limited **(NOMD)**	Neutral	3
Sysco Corporation **(SYY)**	Neutral	4
Tate & Lyle PLC **(TATYY)**	Neutral	3

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

Industry Comparison Industry: Food - Miscellaneous

	LW	X Industry	S&P 500	DAR	FLO	MKC
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	4	3
VGM Score	D	-	-	B	A	C
Market Cap	11.42 B	4.24 B	28.73 B	11.21 B	5.08 B	23.37 B
# of Analysts	4	3	13	5	4	6
Dividend Yield	1.21%	0.00%	1.4%	0.00%	3.33%	1.55%
Value Score	C	-	-	C	A	C
Cash/Price	0.07	0.06	0.06	0.01	0.06	0.02
EV/EBITDA	18.05	14.63	15.72	16.12	15.06	22.59
PEG F1	4.58	3.54	2.32	NA	NA	4.52
P/B	27.92	3.34	3.83	3.78	3.70	5.93
P/CF	20.64	12.74	15.77	16.37	12.10	25.19
P/E F1	34.37	21.32	21.31	29.28	21.37	29.70
P/S TTM	3.21	1.55	3.24	3.14	1.16	4.17
Earnings Yield	3.01%	4.28%	4.62%	3.41%	4.67%	3.37%
Debt/Equity	6.65	0.50	0.67	0.50	0.70	0.95
Cash Flow ($/share)	3.78	2.58	6.78	4.21	1.98	3.48
Growth Score	D	-	-	C	A	C
Historical EPS Growth (3-5 Years)	1.19%	1.77%	9.32%	27.59%	6.04%	12.02%
Projected EPS Growth (F1/F0)	-6.20%	13.26%	14.55%	20.10%	-14.31%	4.18%
Current Cash Flow Growth	-13.39%	1.83%	0.61%	22.53%	20.32%	5.89%
Historical Cash Flow Growth (3-5 Years)	8.09%	6.70%	7.32%	10.26%	5.05%	10.81%
Current Ratio	2.91	1.75	1.39	1.46	1.66	0.68
Debt/Capital	86.93%	34.52%	41.42%	33.38%	41.24%	48.79%
Net Margin	8.33%	4.15%	10.59%	8.31%	3.47%	13.34%
Return on Equity	95.26%	10.61%	14.75%	11.80%	20.58%	20.17%
Sales/Assets	0.86	0.93	0.51	0.66	1.30	0.51
Projected Sales Growth (F1/F0)	-7.14%	2.93%	6.95%	14.75%	-3.35%	8.11%
Momentum Score	C	-	-	A	B	D
Daily Price Change	-1.58%	-1.04%	-1.28%	-3.16%	-0.25%	-0.33%
1-Week Price Change	-0.59%	0.05%	-0.30%	-8.72%	1.16%	-0.31%
4-Week Price Change	-6.10%	1.05%	1.57%	4.22%	7.63%	3.78%
12-Week Price Change	1.51%	9.81%	7.30%	22.42%	5.27%	-7.66%
52-Week Price Change	41.72%	45.33%	65.01%	288.72%	25.93%	40.17%
20-Day Average Volume (Shares)	1,121,674	263,397	2,451,869	1,863,666	1,234,649	1,285,667
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	2.24%	-0.22%	0.00%
EPS F1 Estimate 12-Week Change	1.74%	0.27%	2.17%	13.31%	-2.39%	0.80%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	NA	0.00%	0.00%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	D
Momentum Score	C
VGM Score	D

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

Disclosures

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

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

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

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

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

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.