

Macys, Inc. (M)

\$20.76 (As of 03/15/21)

Price Target (6-12 Months): **\$23.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 07/21/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: B

Growth: B

Momentum: F

Summary

Shares of Macy's have increased and outperformed the industry in the past three months. The stock got a boost following the company's better-than-expected performance in fourth-quarter fiscal 2020. The company returned to profitability after posting a loss in the third quarter. However, the top and the bottom line continued to decline year over year. Adversities stemming from the pandemic were a drag on the company's performance during the quarter. Nevertheless, growth in the digital arena offered some cushion. Moreover, as part of the Polaris strategy, the company is on track with investments to boost omni-channel capabilities. Additionally, the company is undertaking efforts to manage expenses efficiently, boost customer engagement as well as optimize store portfolio. Further, the company provided a decent view for fiscal 2021.

Price, Consensus & Surprise

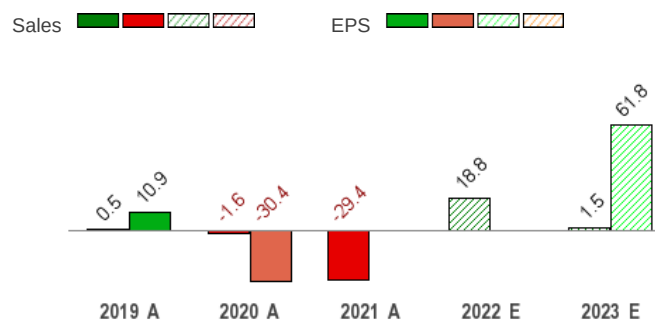


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$22.30 - \$4.38
20-Day Average Volume (Shares)	18,287,630
Market Cap	\$5.8 B
Year-To-Date Price Change	66.5%
Beta	2.07
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Retail - Regional Department Stores
Zacks Industry Rank	Top 22% (55 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	321.1%
Last Sales Surprise	4.3%
EPS F1 Estimate 4-Week Change	-16.7%
Expected Report Date	07/07/2021
Earnings ESP	0.0%
P/E TTM	NA
P/E F1	30.5
PEG F1	2.5
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023	4,254 E	4,272 E	4,312 E	7,645 E	20,920 E
2022	4,233 E	4,439 E	4,399 E	7,495 E	20,602 E
2021	3,017 A	3,559 A	3,990 A	6,780 A	17,346 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023	-\$0.33 E	-\$0.09 E	-\$0.11 E	\$1.60 E	\$1.10 E
2022	-\$0.47 E	-\$0.25 E	-\$0.19 E	\$1.63 E	\$0.68 E
2021	-\$2.03 A	-\$0.81 A	-\$0.19 A	\$0.80 A	-\$2.21 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 03/15/2021. The report's text and the analyst-provided price target are as of 03/16/2021.

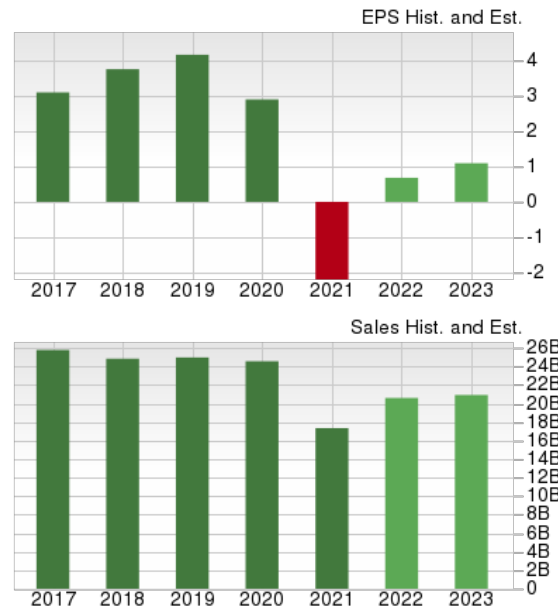
Overview

Macy's is in the process of a complete makeover and has outlined plans under its three-year Polaris Strategy to adapt better to the new retail ecosystem. Notably, the company is banking on Backstage locations, Vendor Direct, Store Pickup, Loyalty Program, Growth150 stores, 'mobile first' strategy and Destination Businesses. The department store chain is investing in areas where it has strong foothold, and these include dresses, fine jewelry, fragrances, men's tailored, women's shoes and beauty.

Macy's is an omnichannel retail organization operating stores, websites and mobile applications under three brands Macy's, Bloomingdale's and bluemercury. Bloomingdale's in Dubai, United Arab Emirates and Al Zahra, Kuwait are operated under a license agreement with Al Tayer Insignia, a company of Al Tayer Group, LLC.

This New York-based company trades in a wide range of merchandise, including men's, women's and children's apparel and accessories, cosmetics, home furnishings and other consumer goods in 43 states, the District of Columbia, Guam and Puerto Rico. Most stores are located at urban or suburban sites, principally in densely populated areas across the United States.

The principal private label brands offered by Macy's include include Alfani, American Rag, Aqua, Bar III, Belgique, Charter Club, Club Room, Epic Threads, first impressions, Giani Bernini, Greg Norman for Tasso Elba, Holiday Lane, Home Design, Hotel Collection, Hudson Park, Ideology, I-N-C, jenni, JM Collection, Karen Scott, lune+aster, M-61, Maison Jules, Martha Stewart Collection, Material Girl, Oake, Sky, Style & Co., Sun + Stone, Sutton Studio, Tasso Elba, Thalia Sodi, The Cellar, Tools of the Trade and Wild Pair.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Strategic Endeavors:** Macy's sustained focus on price optimization, inventory management, merchandise planning and private label offering are the primary catalysts facilitating in meeting customer-oriented demand and improving in-store shopping experience. In an attempt to increase sales, profitability and cash flows, the company has been taking steps such as integration of operations as well as developing omnichannel capabilities and online order fulfillment centers. During fourth-quarter fiscal 2020, performance across all three brands namely, Macy's, Bloomingdale's and Bluemercury, exceeded management's expectations. Also, the company's digital business remained robust, as stores continued to recover. Moreover, the company proactively adjusted its merchandise mix to suit customers changing shopping preferences. Additionally, Macy's has undertaken restructuring actions to contain costs. In fact, management is focusing on efforts such as rightsizing SG&A expenses, increasing inventory productivity, attaining working capital efficiencies and modernizing supply chain. Such prudent efforts are driving the company's growth. Management expects business momentum from the second half of fiscal 2021. Macy's expects net sales in the band of \$19.75-\$20.75 billion in fiscal 2021, up from \$17.3 billion reported in fiscal 2020. Further, adjusted earnings are anticipated in the range of 40-90 cents per share. The company had reported loss of \$2.21 in fiscal 2020. The company's shares have gained 99.2% in the past three months compared with the industry's rise of 75.3%.
- ▲ **Strong Digital Sales:** Notably, Macy's digital platform has continued to remain a healthy business component. During the fourth quarter of fiscal 2020, company's digital sales have surged 21% from the year-ago quarter's figure and contributed 44% to net sales. Nearly 25% of online sales were fulfilled from stores, including curbside pickup and same-day delivery. Management stated that the company's investments in digital innovation yielded well in the reported quarter. Moreover, management extended the availability of online assortments. Customers have been responding well toward the company's expanded omni-channel offerings such as curbside, store pickup and same-day delivery. Additionally, the company has been constantly improving to its mobile and website features to deliver enhanced shopping experience. The company anticipates online sales to reach nearly \$10 billion in the next three years, i.e by fiscal 2023.
- ▲ **Three-Year Polaris Strategy:** Macy's has outlined plans under its three-year Polaris Strategy to adapt better to the new retail ecosystem. This includes strengthening customer relationships, expansion of assortments, accelerate digital growth, optimizing store portfolio and reducing costs. Managing expenses prudently has also been a vital part of the Polaris strategy. Markedly, the company attained annualized run rate Polaris' cost savings of approximately \$900 million, during fiscal 2020. Notably during fourth-quarter fiscal 2020 SG&A expense declined 18.5% year over year, thanks to better expense management initiatives. It is also on track with expanding brand offerings to support customer self-expression at all price points. Moreover, the company's expanded Star Rewards Loyalty program, which was initiated in 2018, has been aiding better customer engagement. Management highlighted that its Star Rewards Loyalty program witnessed an increase of 45% in Bronze tier members, during the fourth quarter. Apart from these, Macy's is evaluating store portfolio. The company is on track with its plans to shutter roughly 125 stores in lower tier malls within three years that are least productive, while upgrade the remaining. Management stated that it has already closed or is in the process of closing 60 stores, out of the planned store closures. Apart from these, the company is also committed toward boosting supply chain and technology infrastructure. Clearly, Macy's is undertaking prudent measures to bring itself back on growth trajectory. The company had earlier highlighted that Polaris strategy will help attain gross savings of nearly \$2.1 billion by 2022.
- ▲ **Undertakes Efforts to Make Shopping Convenient:** Macy's has come up with a host of initiatives to deliver customers a seamless shopping experience. Macy's recent actions include its collaboration with Swedish buy now, pay later group Klarna, enabling the company to offer shoppers financial ease and payment flexibility with their online purchases. Here, shoppers can choose to pay in four equal and interest-free installments at the online checkout. The company also informed about its tie-up with DoorDash for expediting delivery service. This collaboration will enable the retailer offer on-demand and same-day delivery service at roughly 500 Macy's stores throughout the nation. This is powered through the Drive – DoorDash's white-label fulfillment platform, which is committed to direct business delivery. Shoppers can avail the same-day delivery via macys.com and its mobile app. These apart, Macy's got a lot more for its guests in the form of Macy's Star Rewards, Macy's Gift Cards, experts' help and other gifting options.
- ▲ **Customer Friendly Endeavors:** Macy's Backstage locations, Vendor Direct, Store Pickup, Loyalty Program, Growth150 stores (G150), 'mobile first' strategy and Destination Businesses are important growth drivers. The company is investing in areas where it has strong foothold, and these include dresses, fine jewelry, fragrances, men's tailored, women's shoes and beauty. Additionally, the company is striving to optimize inventory across all channels. It has also been taking actions across stores for reducing bottleneck and control occupancy levels. Macy's is also expanding its virtual reality furniture gallery. The company has taken a minority stake in b8ta, a technology retailer that allow customers to try, buy and learn about new tech products. The investment is seen as a part to enhance customer shopping experience at its The Market @ Macy's, a store-within-a-store retail concept. The company has partnered with thredUP, a fashion resale website for consumers to buy and sell secondhand clothing online.
- ▲ **Financial Flexibility:** Macy's had earlier stated that it concluded raising nearly \$4.5 billion of new financing, which includes senior secured notes as well as asset-based credit agreement worth \$1.3 billion and \$3.15 billion, respectively. This provides company with enough liquidity to meet business needs, comprising funding operations and the purchase of new inventory for upcoming merchandising seasons, resolving its accrued payables obligations, and repaying upcoming debt maturities. At the end of fourth-quarter fiscal 2020, the company had about \$3 billion of untapped capacity in the new asset-based credit facility. Macy's ended the fourth quarter with cash and cash equivalents of \$1,679 million, reflecting a sequential rise of 8.3%. Moreover, management informed that it has repaid \$530 million worth debt during January, 2021.

Macy's has been progressing well with its Polaris strategy, which includes boosting digital capabilities and attaining operating efficiency.

Reasons To Sell:

- ▼ **Dismal Q4 Numbers:** Macy's fourth-quarter fiscal 2020 performance lacked sheen, as both its top and bottom line figures reflected year-on-year declines. Net sales came in at \$6,780 million, declining 18.7% on a year-over-year basis. Additionally, comparable sales were down 17% on an owned basis and down 17.1% on an owned plus licensed basis. The dismal comparable sales performance was caused by continued challenges emerging from the COVID-19 pandemic. Moving on, Macy's reported adjusted earnings of 80 cents per share which declined 62.3% from adjusted earnings of \$2.12 reported in the year-ago quarter. Persistent adversities emerging from the pandemic is a risk for the company in the forthcoming periods.
- ▼ **Weak Gross Margin:** During fourth-quarter fiscal 2020, the company's gross margin fell 310 basis points (bps) to 33.7% year on year. Higher delivery expenses were a drag upon gross margin performance. Notably, delivery expenses increased 300 bps from the year-ago quarter's figure. Continuation of such rise in expenses is likely to put pressure on the company's margins in the forthcoming periods.
- ▼ **Dip in Consumer Sentiment:** Any dip in consumer confidence – a key determinant of the economy's health – may have serious bearing on spending. The company's customers remain sensitive to macroeconomic factors including interest rate hikes, increase in fuel and energy costs, credit availability, unemployment levels, and high household debt levels, which may negatively impact their sentiment. For now, the novel coronavirus has wreaked havoc. The retail sector, in particular, remains under pressure. Again, job losses as well as lower disposable income due to this catastrophe are making things worse.
- ▼ **Competitive Pressure:** Macy's operates in the highly competitive retail merchandise sector. The company faces stiff competition from a diverse group of competitors, such as Wal-Mart, Target, Bed Bath & Beyond, general merchandise stores, specialty stores, discount stores and online retailers, which are likely continue to weigh on its results. We also remain concerned about Macy's low pricing power as against other discount chains, which may in turn hurt the company's market share.

Sluggish store sales are a concern for Macy's. Moreover management remains cautious about the pandemic's impact on the company performance in the forthcoming periods.

Last Earnings Report

Macy's Q4 Earnings Exceeds Estimates, Sales Down Y/Y

Macy's posted fourth-quarter fiscal 2020 results, with the top and the bottom line beating the Zacks Consensus Estimate. The company returned to profitability after posting a loss in the third quarter. However, sales and earnings declined from the year-ago quarter's levels. Further, the company provided its view for fiscal 2021.

Adversities stemming from the pandemic were a drag on the company's performance during the fourth quarter. Nevertheless, growth in the digital arena offered some cushion. Management stated that the company's investments in digital innovation yielded well in the reported quarter.

The company anticipates online sales to reach nearly \$10 billion in the next three years. Additionally, the company continues to remain on track with the Polaris strategy for achieving overall business growth and efficiency.

Quarter Ending 01/2021

Report Date	Feb 23, 2021
Sales Surprise	4.34%
EPS Surprise	321.05%
Quarterly EPS	0.80
Annual EPS (TTM)	-2.23

Q4 in Details

Macy's reported adjusted earnings of 80 cents per share, which surpassed the Zacks Consensus Estimate of 19 cents. However, the bottom line declined 62.3% from adjusted earnings of \$2.12 reported in the year-ago quarter.

Net sales of \$6,780 million came ahead of the Zacks Consensus Estimate of \$6,498 million. However, the top line declined 18.7% on a year-over-year basis. Additionally, we note that comparable sales were down 17% on an owned basis and down 17.1% on an owned plus licensed basis. The dismal comparable sales performance was caused by continued challenges emerging from the COVID-19 pandemic.

Impressively, the company's digital sales surged 21% from the year-ago quarter's figure and contributed 44% to net sales. Nearly 25% of online sales were fulfilled from stores, including curbside pickup and same-day delivery.

Net credit card revenues amounted to \$258 million, up \$19 million year on year.

Furthermore, gross margin went down 310 basis points (bps) to 33.7% year on year. Notably, delivery expenses increased 300 bps from the year-ago quarter's figure.

SG&A expense declined 18.5% year over year to \$2,045 million, thanks to improved expense management efforts.

Macy's reported adjusted EBITDA of \$789 million, which declined nearly 32% year on year.

Financial Aspects & Other Updates

Macy's had cash and cash equivalents of \$1,679 million as at the end of fiscal 2020. Merchandise inventories, as of Jan 30, 2021, amounted to \$3,774 million. During the fourth quarter, inventory declined 27% year on year. The company ended the year with about \$3 billion of untapped capacity in the new asset-based credit facility. Also it repaid \$530 million worth debt during January, 2021. Long-term debt and shareholders' equity were \$4,407 million and \$2,553 million, respectively, as of Jan 30, 2021.

Management stated that the Polaris Strategy significantly supported its performance during fiscal 2020. The strategy helped the company broaden assortments and boost digital experience. Management expects the Polaris Strategy to continue accelerating the company's digital growth and omni-channel offerings.

Further, management highlighted that its Star Rewards Loyalty program witnessed an increase of 45% in Bronze tier members, during the fourth quarter.

Outlook

Management's view for fiscal 2021 takes into consideration the continued challenges emerging from the pandemic. It expects business momentum from the second half of the fiscal. That said, the company expects net sales in the bracket of \$19.75-\$20.75 billion in fiscal 2021. Further, adjusted earnings are anticipated in the range of 40-90 cents per share.

Valuation

Macy's shares are up 84.6% in the year-to-date period and 209.8% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 63.3%, while the Zacks Retail-Wholesale sector inched up 0.3%, in the year-to-date period. Over the past year, the sub-industry and the sector are up 226.6% and 60.9%, respectively.

The S&P 500 index is up 6% in the year-to-date period and 59.2% in the past year.

The stock is currently trading at 0.31X forward 12-month sales, which compares to 0.49X for the Zacks sub-industry, 1.34X for the Zacks sector and 4.59X for the S&P 500 index.

Over the past five years, the stock has traded as high as 0.54X and as low as 0.06X, with a 5-year median of 0.3X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$23 price target reflects 0.34X forward 12-month sales.

The table below shows summary valuation data for M

Valuation Multiples - M					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	0.31	0.49	1.34	4.59
	5-Year High	0.54	0.58	1.34	4.59
	5-Year Low	0.06	0.11	0.84	3.21
	5-Year Median	0.3	0.4	1.02	3.69
P/B TTM	Current	2.53	3.08	4.83	6.7
	5-Year High	3.62	3.08	6.48	6.7
	5-Year Low	0.21	0.34	3.79	3.83
	5-Year Median	1.56	1.89	5.09	4.97
P/CF	Current	10.13	5.97	14.78	24.24
	5-Year High	10.13	7.77	19	24.24
	5-Year Low	0.86	1.3	11.2	12.87
	5-Year Median	4.42	4.98	13.67	18.6

As of 03/15/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 22% (55 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Abercrombie & Fitch Company (ANF)	Outperform	1
Costco Wholesale Corporation (COST)	Neutral	3
Dillard's, Inc. (DDS)	Neutral	2
Dollar General Corporation (DG)	Neutral	3
Dollar Tree, Inc. (DLTR)	Neutral	3
Kohls Corporation (KSS)	Neutral	3
Target Corporation (TGT)	Neutral	3
Walmart Inc. (WMT)	Underperform	5

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

Industry Comparison Industry: Retail - Regional Department Stores				Industry Peers		
	M	X Industry	S&P 500	DDS	DLTR	KSS
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	B	-	-	A	A	A
Market Cap	5.82 B	5.42 B	28.65 B	2.02 B	25.54 B	9.53 B
# of Analysts	7	7	13	5	10	9
Dividend Yield	0.00%	0.00%	1.38%	0.65%	0.00%	0.00%
Value Score	B	-	-	A	A	A
Cash/Price	0.29	0.24	0.06	0.18	0.06	0.24
EV/EBITDA	-2.60	18.79	16.24	20.29	10.67	18.79
PEG F1	2.55	2.51	2.38	NA	1.71	2.73
P/B	2.28	1.72	3.92	1.40	3.51	1.83
P/CF	22.30	14.07	16.36	13.39	12.65	14.43
P/E F1	30.57	27.37	21.26	33.93	17.74	21.83
P/S TTM	0.34	0.47	3.30	0.47	1.00	0.60
Earnings Yield	3.63%	3.63%	4.59%	2.95%	5.63%	4.58%
Debt/Equity	1.73	0.74	0.67	0.39	0.44	0.74
Cash Flow (\$/share)	0.93	3.67	6.78	7.02	8.64	4.36
Growth Score	B	-	-	A	A	A
Historical EPS Growth (3-5 Years)	-12.87%	-2.97%	9.32%	-2.97%	12.33%	-1.32%
Projected EPS Growth (F1/F0)	130.96%	172.39%	14.55%	198.97%	8.34%	328.83%
Current Cash Flow Growth	-84.72%	-56.22%	0.72%	-53.26%	-3.20%	-59.19%
Historical Cash Flow Growth (3-5 Years)	-33.97%	-19.03%	7.32%	-21.36%	13.68%	-16.70%
Current Ratio	1.15	1.93	1.39	2.15	1.35	1.93
Debt/Capital	63.32%	42.48%	41.42%	28.19%	30.69%	42.48%
Net Margin	-22.73%	-1.67%	10.59%	-1.67%	5.26%	-1.02%
Return on Equity	-28.03%	-4.43%	14.65%	-4.43%	19.46%	-3.78%
Sales/Assets	0.95	1.03	0.51	1.34	1.24	1.03
Projected Sales Growth (F1/F0)	18.77%	17.06%	6.95%	27.53%	2.50%	15.35%
Momentum Score	F	-	-	D	C	C
Daily Price Change	10.84%	2.49%	0.92%	2.49%	0.64%	4.18%
1-Week Price Change	23.88%	7.97%	2.96%	7.97%	4.35%	8.76%
4-Week Price Change	39.52%	25.78%	4.69%	16.42%	0.85%	25.78%
12-Week Price Change	98.47%	63.99%	10.09%	80.97%	-1.99%	63.99%
52-Week Price Change	209.39%	209.39%	74.12%	169.54%	63.09%	219.58%
20-Day Average Volume (Shares)	18,287,630	403,417	2,323,115	403,417	2,224,959	3,757,237
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-16.70%	4.89%	0.00%	31.93%	-0.58%	4.89%
EPS F1 Estimate 12-Week Change	-19.09%	8.89%	2.09%	80.61%	-0.58%	8.89%
EPS Q1 Estimate Monthly Change	-31.99%	-31.99%	0.00%	262.77%	0.55%	-89.90%

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	B
Growth Score	B
Momentum Score	F
VGM Score	B

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

Disclosures

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

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

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

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

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

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

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 forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.