

Marriott International (MAR)

\$128.75 (As of 12/24/20)

Price Target (6-12 Months): **\$135.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/24/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: C

Growth: D

Momentum: F

Summary

Shares of Marriott have outperformed the industry in the past three months. Continuous focus on expansion initiatives, digital innovation and loyalty program are likely to aid the company going forward. At the end of third-quarter 2020, Marriott's development pipeline had nearly 2,900 hotels, with more than 496,000 rooms. Also, the company has bolstered its liquidity to manage the coronavirus pandemic for some time. In the past 60 days, earnings estimates for 2020 have moved up. Of late, Marriot has bolstered its liquidity to manage the coronavirus pandemic. Although the company is witnessing steady recovery in the U.S. and China markets, RevPAR and occupancy rates are well below the pre-pandemic era. Moreover, due to the pandemic the company has suspended its share repurchase and dividend payments until further notice.

Data Overview

52-Week High-Low	\$153.39 - \$46.56
20-Day Average Volume (Shares)	1,927,240
Market Cap	\$41.8 B
Year-To-Date Price Change	-15.0%
Beta	1.84
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Hotels and Motels
Zacks Industry Rank	Bottom 4% (244 out of 255)

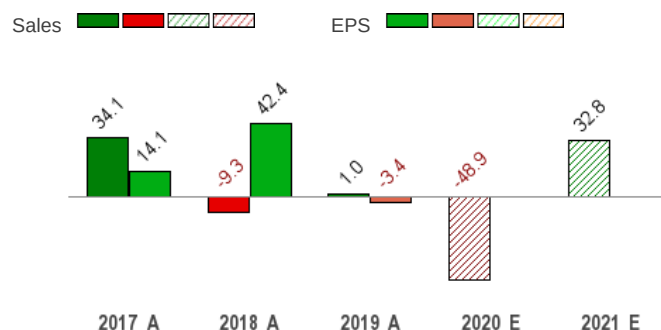
Last EPS Surprise	185.7%
Last Sales Surprise	-5.9%
EPS F1 Estimate 4-Week Change	-2.8%
Expected Report Date	NA
Earnings ESP	63.6%

P/E TTM	103.0
P/E F1	NA
PEG F1	NA
P/S TTM	3.0

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,739 E	3,715 E	3,491 E	3,722 E	14,226 E
2020	4,681 A	1,464 A	2,254 A	2,412 E	10,713 E
2019	5,012 A	5,305 A	5,284 A	5,371 A	20,972 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.19 E	\$0.38 E	\$0.67 E	\$0.80 E	\$1.90 E
2020	\$0.26 A	-\$0.64 A	\$0.06 A	\$0.11 E	-\$0.22 E
2019	\$1.41 A	\$1.56 A	\$1.47 A	\$1.57 A	\$6.00 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 12/24/2020. The reports text is as of 12/28/2020.

Overview

Marriott International Inc. is a leading worldwide hospitality company focused on lodging management and franchising, after the spin-off of its timeshare business into a publicly traded company in Nov 2011.

During the third quarter of 2020, the company added 127 new properties (or 19,064 rooms) to its worldwide lodging portfolio. This also includes 1,400 rooms converted from competitor brands and approximately 7,600 rooms in international markets. However, 31 properties (or 6,066 rooms) exited the system during the quarter.

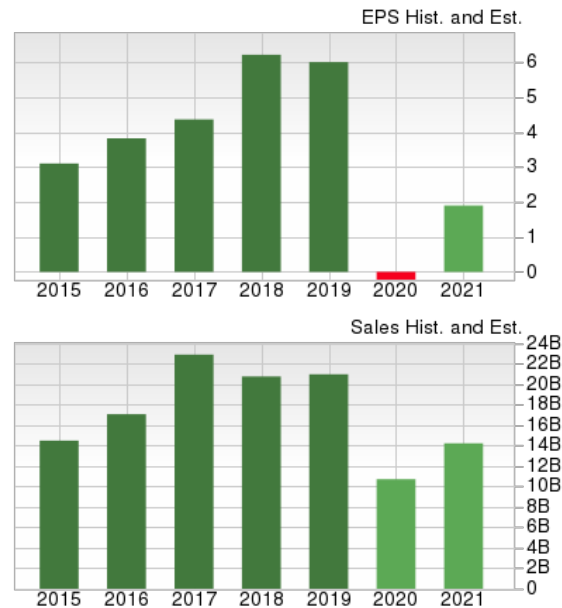
As of Sep 30, 2020, the company operated, franchised and acted as a licensor of hotels as well as timeshare properties to 7,579 (nearly 1,413,654 rooms) properties across 132 countries and territories, under 30 brand names.

The company has grouped its brand portfolio into three groups:

Luxury: The company's classic luxury hotel brands include JW Marriott, The Ritz-Carlton, and St. Regis. Meanwhile, Marriott's distinctive luxury hotel brands comprise W Hotels, The Luxury Collection, EDITION, and Bulgari.

Premium: The company's classic premium hotel brands include Marriott Hotels, Sheraton, Delta Hotels, Marriott Executive Apartments, and Marriott Vacation Club. Moreover, its distinctive premium hotel brands comprise Westin, Renaissance, Le Méridien, Autograph Collection, Gaylord Hotels, Tribute Portfolio and Design Hotels.

Select: The company's classic select hotel brand include Courtyard, Residence Inn, Fairfield by Marriott, SpringHill Suites, Four Points, TownePlace Suites, and Protea Hotels. Meanwhile, Marriott's distinctive select hotel brands comprise Aloft, AC Hotels by Marriott, Element, and Moxy.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Solid Brand Position to Drive Long-Term Growth:** Marriott is a leading company in the luxury and lifestyle space, which includes brands that own 7,579 properties in 132 countries and territories. Marriott's extensive portfolio and a strong brand position allow it to charge a premium room rate in the highly competitive lodging industry. Given its property locations, we believe that the company is well-poised to benefit from the increasing market demand on the back of stepped-up business as well as leisure traveling in major North American and international locations. However, amid the ongoing pandemic, many countries are still imposing strict travel restrictions. Depending on the stages of reopening, lower pace of improvements are being witnessed in Europe, Middle East, Africa, Caribbean, Latin America, Hong Kong and Macau. Nonetheless, markets in Japan, Australia, New Zealand, South Korea and the Philippines continue to boost performance in the third quarter, owing to rise in quarantine business by travelers who are entering these countries.
- ▲ **Efforts to Drive Growth:** With 145 million members globally, the company's loyalty program Marriott Bonvoy plays a supporting hand in its marketing strategies. Notably, the company is focusing on non-hotel stay experiences such as Eat Around Town and Homes and Villas by Marriott International. Also, the company is engaging its customers with promotional offers such as grocery and retail spending accelerators on its co-branded credit cards (American Express and Chase). Meanwhile, the company has resorted to creative offerings such as Fall for Travel and October Week of Wonders. During October-end, the company unveiled new Work from Anywhere packages based on the remote work trend. Notably, the initiatives are likely to boost leisure demand and capture additional revenues, going forward.
- ▲ **Strong Expansion Plans:** Marriott is consistently trying to expand presence worldwide and capitalize on the demand for hotels in international markets. Moving ahead, the company plans to significantly expand global portfolio of luxury and lifestyle brands. In April 2019, the company opened its 7000th property — the 27 storey St. Regis Hong Kong. At the end of third-quarter 2020, Marriott's development pipeline had nearly 2,900 hotels, with more than 496,000 rooms. Further, nearly 228,000 rooms were under construction. The hotel company is also trying to strengthen presence outside the United States, especially in Asia, Latin America, Middle East and Africa. Meanwhile, the company's European pipeline has grown consistently in the recent past and is expected to continue going forward. In fact, the company aims to expand its lead in the luxury and full-service segments in the region, have the largest portfolio in the upscale division and also win over millennials in the affordable lifestyle group by 2020. Within Asia-Pacific, China promises immense growth potential, despite the economic slowdown. Meanwhile, as incomes rise, China's middle class is looking for higher quality products and elevated travel experiences. Notably, China is the largest source market for outbound travel now.
- ▲ **Signs of Improvement in China Mainland:** As the economy is opening up, signs of improvement can be noticed in Greater China. With majority of the virus contained, domestic travel restrictions are being lifted, leading to an improvement in daily number of passenger flights. Additionally, businesses are picking up. China represents 9% of Marriott's rooms, out of which 90% are being currently actively-managed. Notably, the company is witnessing improvement in occupancy and new bookings. During third-quarter 2020, the company announced that occupancy levels in Greater China are currently 67%, up from the lows of 9% hit in mid-February.
- ▲ **Strategic Acquisitions to Boost Growth:** The company continues to rely on acquisitions in order to expand its footprint globally. In late 2016, it completed the acquisition of Starwood and became the world's largest hotel company. With the completion of this acquisition, Marriott's distribution has more than doubled in Asia and the Middle East & Africa combined. Also, Marriott's move to buy Starwood shows that the hospitality industry thrives on such blockbuster deals, which are critical to their success at a time when online booking is becoming important in the lodging business. The company is also ramping up the expansion of its brands acquired via takeover. These brands include Sheraton, W and Aloft. To this end, management is working to increase accountability, quality assurance and capital investments of the Sheraton brand while enabling Marriott's systems and programs to drive the top line and reduce costs. Also, with the Protea Hospitality Group buyout in 2014, Marriott became the largest hotel company in Africa and has nearly doubled its presence in the Middle East and African region. This was followed by the acquisition of Delta Hotels and Resorts brand in 2015. These acquisitions strategies are expected to help the company carry on with its portfolio expansion globally. Interestingly, even with 30 brands under the portfolio, the company has not ruled out further M&A activities. On Dec 9, 2019, the company completed the acquisition of Elegant Hotels Group plc for \$128 million in cash and assumed Elegant's net debt outstanding of \$63 million, which we subsequently repaid in January 2020. As a result of this transaction, the company added seven hotels and a beachfront restaurant on the island of Barbados to its Caribbean and Latin America-owned and leased portfolio. It also acquired the W New York - Union Square — a North American Full-Service property — for \$206 million.
- ▲ **Sufficient Liquidity to Manage Current Scenario:** Of late, Marriott has bolstered its liquidity to manage the coronavirus pandemic. As of Sep 30, 2020, the company had a net liquidity of \$5.1 billion, compared with \$4.4 billion as of Jun 30. Notably, this represented \$1.5 billion in available cash balances and \$3.6 billion of unused borrowing capacity under its revolving credit facility. Although total debt during the third quarter came in at \$9.4 billion, compared with \$11.8 billion as of Jun 30, the company is confident that with the amount of liquidity it holds, it can survive the pandemic for some time.
- ▲ **Embracing Social Media and Smartphones to Build Loyalty:** Digital innovations and social media are starting to play an increasingly important role in hotel bookings. Social media enhances the brand's prospects by connecting directly with guests, which in turn can lead to increased loyalty and market share. The Marriott mobile app for tablets and smartphones helps guests to manage their bookings, access interactive maps/GPS as well as reward programs. Moreover, Marriott recently re-imagined its Marriott Mobile app to meet the needs of the modern traveler. Guests will now be able to enjoy new and extended digital features, customized travel content, easier one-button navigation and a new swipe-able discovery home screen.

Marriott is poised to grow on the back of solid brand position, an increased demand for travel and significant international exposure.

Reasons To Sell:

- ▼ **Coronavirus Impact:** The Hotel and Motels industry is currently grappling with the coronavirus pandemic and Marriott isn't immune to the trend. Owing to the same, the company has withdrawn its 2020 guidance. It has also suspended its share repurchase and dividend payments until further notice. Markedly, the pandemic is likely to hurt the company's results in 2020. However, the company is unable to estimate any financial impact of coronavirus at the moment as the duration and extent of the outbreak cannot be ascertained.
- ▼ **RevPAR & Occupancy Rates Decline Sharply:** With COVID-19 outbreak intensifying globally in March, the company began to experience significant decline in demand, resulting in dismal performance of revenue per available room (RevPAR) and occupancy. During third-quarter 2020, RevPAR for worldwide comparable system-wide properties fell 65.9% in constant dollars (down 65.9% in actual dollars) on account of 40.8% and 26.4% decline in occupancy and average daily rate (ADR), respectively. Comparable system-wide RevPAR (in constant dollar) was down 65.4% in North America and 67.4% outside North America. Notably, low occupancy levels and steep RevPAR declines were witnessed in Europe, Middle East and Africa region (or EMEA) as well as in the Caribbean and Latin America region (or CALA).
- ▼ **Valuation Looks Stretched:** Marriott valuation looks a bit stretched when compared with its own range as well as the industry average. Looking at the company's EV/EBITDA ratio, investors might not want to pay any further premium. It currently has a trailing 12-month EV/EBITDA ratio of 40.91, which is also quite overvalued right now compared with its peers as the industry's average stands at 34.75x.
- ▼ **Lingering Uncertainty in Various International Markets & RevPAR Growth:** Despite immense growth potential, a sluggish economy and oversupply in Brazil are weighing on the Latin American region. In the Middle East, sanctions on Qatar have reduced travel into and out of that country. Meanwhile, political unrest, lower government spending, new hotel supply and a tough oil market continue to hurt tourism in other Middle East markets and the company expects weak RevPAR trends in the region to continue in the coming quarters as well. Also, the slowdown in the Chinese economy is hurting discretionary spending as well as travel.

Meanwhile, in the domestic market, the company is facing competition in New York due to a continuous increase in supply of hotels, which is limiting room rents, thereby hurting RevPAR in the region. On the whole, though leisure demand remains strong, cautious corporate, group and transient demand raise concern.
- ▼ **Fluctuation in Exchange Rates:** Marriott has significant international presence and is therefore highly vulnerable to fluctuations in exchange rates. Notably, the company has been witnessing fewer international guests at its U.S. hotels, given the stronger dollar. Moreover, the company is also bearing the brunt of Venezuelan currency devaluation. Going forward, such volatility in exchange rates would continue to hurt the results of the company as it has been doing over the past few quarters.

The coronavirus pandemic, sluggish economy and high competition are likely to hurt company's performance.

Last Earnings Report

Marriott Q3 Earnings Beat Estimates, Revenues Miss

Marriott reported third-quarter 2020 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. However, both the top and bottom lines declined on a year-over-year basis.

In the quarter under review, Marriott's adjusted earnings per share was 6 cents, comparing favorably with the Zacks Consensus Estimate of a loss of 7 cents. In the prior-year quarter, the company had reported adjusted earnings of \$1.47 per share. Although the coronavirus pandemic continues to hurt the company's results, it is witnessing rise in demand globally. The company stated that Greater China has been leading the recovery.

Quarterly revenues of \$2,254 million missed the consensus mark of \$2,395 million. Moreover, the top line declined 57.3% on a year-over-year basis. Base management and Franchise fee were \$87 million and \$279 million, down 70% and 47% year over year, respectively.

RevPAR & Margins

In the quarter under review, revenue per available room (RevPAR) for worldwide comparable system-wide properties fell 65.9% in constant dollars (down 65.9% in actual dollars) due to 40.8% and 26.4% decline in occupancy and average daily rate (ADR), respectively. These metrics were impacted by the coronavirus pandemic.

Comparable system-wide RevPAR in North America fell 65.4% in constant dollars (down 65.4% in actual dollars) due to 27.6% decline in ADR and 40.3% fall in occupancy.

On a constant-dollar basis, international comparable system-wide RevPAR slumped 67.4% (down 67.3% in actual dollars) due to decline of 43.5% and 25.5% in occupancy and ADR, respectively.

Total expenses fell 57% year over year to \$2,002 million, primarily due to decline in Reimbursed expenses.

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to \$442 million, down 46% year over year.

Balance sheet

At the end of the third quarter, Marriott's total debt amounted to \$9.4 billion, compared with \$10.9 billion in December 2019. During the quarter, the company's cash balances totaled \$1.5 billion compared with \$225 million in December 2019. Owing to uncertainty revolving around the crisis, the company temporarily suspended its share repurchase programs and dividend payouts.

Unit Developments

At the end of the third-quarter 2020, Marriott's development pipeline totaled nearly 2,900 hotels, with approximately 496,000 rooms. Further, nearly 228,000 rooms were under construction.

Quarter Ending	09/2020
Report Date	Nov 06, 2020
Sales Surprise	-5.90%
EPS Surprise	185.71%
Quarterly EPS	0.06
Annual EPS (TTM)	1.25

Recent News

Marriott Expands Hotel Brands Presence in Japan - Dec 22, 2020

Marriott recently expanded its footprint in Japan by introducing six of its hotel brands, AC Hotels by Marriott, Aloft Hotels, EDITION, JW Marriott, Fairfield by Marriott and Ritz-Carlton Reserve in 2020. The company will end 2020 with 63 open properties in Japan across 18 brands. This endeavor is in sync with the company's aggressive expansion strategy.

The company announced it has more than 30 hotels in the development pipeline in Japan, expected to open doors in the days ahead. The development includes the much-anticipated debut of The Bulgari Tokyo and additional Fairfield by Marriott Michi-no-eki hotels across Japan.

Marriott Continues to Strengthen Presence in Japan – Oct 7, 2020

Marriott's select brand – Fairfield by Marriott – boosts presence in Japan, with eight new property openings. To this end, the company has collaborated with Sekisui House, (a Japanese developer) to enhance their 'Trip Base' initiative of opening hotels alongside 'Michi-no-Eki' roadside stations.

Valuation

Marriott's shares are down 15% year-to-date and 15.2% in the trailing 12-month period. Stocks in the Zacks sub-industry are down by 8.8%, while the Zacks Consumer Discretionary sector are up by 13.9% in the year-to-date period. Over the past year, the Zacks sub-industry is down by 9%, while the sector was up by 13.6%.

The S&P 500 index is up 16.9% in the year-to-date period and 17.1% in the past year.

The stock is currently trading at 68.46X forward 12-month earnings, which compares to 54X for the Zacks sub-industry, 33.57X for the Zacks sector and 22.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 77.88X and as low as 10.15x, with a 5-year median of 21.41X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$135 price target reflects 71.90X forward 12-month earnings.

The table below shows summary valuation data for MAR.

Valuation Multiples - MAR					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	68.46	54	33.57	22.7
	5-Year High	77.88	59.65	35.28	23.79
	5-Year Low	10.15	15.39	16.19	15.3
	5-Year Median	21.41	20.84	19.96	17.82
P/S F12M	Current	2.94	2.86	2.71	4.34
	5-Year High	3.15	2.88	2.9	4.34
	5-Year Low	0.94	1.17	1.7	3.17
	5-Year Median	1.86	1.77	2.5	3.67
EV/EBITDA TTM	Current	40.36	31.73	12.77	16.79
	5-Year High	42.11	33.07	17.89	16.87
	5-Year Low	10.8	8.97	8.28	9.56
	5-Year Median	18.69	14.79	12.2	13.17

As of 12/24/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 4% (244 out of 255)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Hilton Worldwide Holdings Inc. (HLT)	Neutral	3
ORIENTAL LAND (OLCLY)	Neutral	3
Sands China Ltd. (SCHYY)	Neutral	3
Extended Stay America, Inc. (STAY)	Neutral	3
Marriot Vacations Worldwide Corporation (VAC)	Neutral	3
WYNDHAM DESTINATIONS, INC. (WYND)	Neutral	3
Hyatt Hotels Corporation (H)	Underperform	4
Intercontinental Hotels Group (IHG)	Underperform	4

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

Industry Comparison Industry: Hotels And Motels				Industry Peers		
	MAR	X Industry	S&P 500	H	HLT	SCHYY
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	F	-	-	F	F	C
Market Cap	41.76 B	3.53 B	26.20 B	7.37 B	29.66 B	35.01 B
# of Analysts	10	6	13	8	7	1
Dividend Yield	0.00%	0.00%	1.48%	0.00%	0.00%	2.82%
Value Score	C	-	-	C	C	C
Cash/Price	0.04	0.14	0.06	0.28	0.12	0.04
EV/EBITDA	20.81	15.15	14.57	5.49	17.88	NA
PEG F1	NA	16.06	2.83	NA	NA	NA
P/B	182.35	3.05	3.64	2.20	NA	12.83
P/CF	17.43	14.21	13.90	11.57	19.84	12.64
P/E F1	NA	56.85	22.12	NA	467.64	NA
P/S TTM	3.03	2.62	2.85	2.53	5.13	NA
Earnings Yield	-0.17%	-0.25%	4.36%	-6.85%	0.22%	-4.44%
Debt/Equity	42.27	0.86	0.70	0.89	-7.91	2.58
Cash Flow (\$/share)	7.39	2.99	6.93	6.29	5.39	3.42
Growth Score	D	-	-	F	D	A
Historical EPS Growth (3-5 Years)	2.19%	2.23%	9.71%	11.13%	2.27%	NA
Projected EPS Growth (F1/F0)	-103.70%	-104.24%	1.26%	-343.48%	-94.14%	-176.49%
Current Cash Flow Growth	-2.82%	6.05%	5.23%	5.97%	24.59%	7.79%
Historical Cash Flow Growth (3-5 Years)	21.40%	2.66%	8.33%	2.61%	2.71%	-2.31%
Current Ratio	0.59	1.74	1.38	2.72	1.99	1.43
Debt/Capital	97.69%	56.12%	41.97%	47.06%	NA	72.11%
Net Margin	1.28%	-4.07%	10.40%	-6.14%	-5.46%	NA
Return on Equity	188.71%	-1.07%	14.99%	-8.79%	-34.02%	NA
Sales/Assets	0.54	0.33	0.50	0.34	0.36	NA
Projected Sales Growth (F1/F0)	-48.92%	-34.70%	0.35%	-58.03%	-52.20%	-73.46%
Momentum Score	F	-	-	D	F	F
Daily Price Change	0.11%	0.00%	0.29%	-0.12%	0.36%	1.58%
1-Week Price Change	0.24%	-0.47%	0.87%	-0.94%	-0.12%	1.92%
4-Week Price Change	-0.36%	0.00%	0.99%	-0.71%	0.56%	0.31%
12-Week Price Change	36.46%	19.02%	14.77%	35.76%	22.55%	11.05%
52-Week Price Change	-15.92%	-10.94%	5.47%	-19.71%	-4.51%	-17.03%
20-Day Average Volume (Shares)	1,927,240	296,842	2,028,114	558,190	2,247,390	111,037
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-2.78%	0.00%	0.00%	0.00%	-20.00%	0.00%
EPS F1 Estimate 12-Week Change	0.00%	-5.76%	3.68%	-14.02%	-9.48%	-52.38%
EPS Q1 Estimate Monthly Change	8.64%	0.00%	0.00%	0.00%	0.00%	NA

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	F
VGM Score	F

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

Disclosures

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

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

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

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

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

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.