

Medtronic plc (MDT)

\$93.28 (As of 05/13/20)

Price Target (6-12 Months): **\$98.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/15/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: C

Growth: B

Momentum: A

Summary

All major business groups at Medtronic saw solid top-line growth at CER in the third quarter of fiscal 2020. Strong sales at Specialty and Brain Therapies within RTG more than offset slower growth in Pain Therapies in the reported quarter. Within CVG, despite the ongoing challenges, the company registered growth at CER. MITG arm recorded sturdy growth on strength across all businesses. It recorded better-than-expected earnings in the third quarter. Its strong solvency level buoys optimism. It has been outperforming the industry it belongs to over the past one year. However, its revenues lagging estimates, and escalating costs and expenses have been persistently pressurizing the margins. Unfavorable currency movement also deterred growth. The difficult macroeconomic conditions due to coronavirus outbreak is concerning as well.

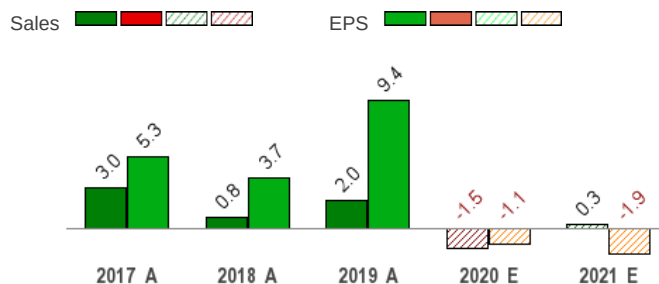
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$122.15 - \$72.13
20 Day Average Volume (sh)	5,334,646
Market Cap	\$125.0 B
YTD Price Change	-17.8%
Beta	0.69
Dividend / Div Yld	\$2.16 / 2.3%
Industry	Medical - Products
Zacks Industry Rank	Top 19% (49 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.4%
Last Sales Surprise	-1.2%
EPS F1 Est- 4 week change	-5.7%
Expected Report Date	05/21/2020
Earnings ESP	-32.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	6,786 E	7,758 E	7,935 E	8,742 E	30,177 E
2020	7,493 A	7,706 A	7,717 A	7,296 E	30,085 E
2019	7,384 A	7,481 A	7,546 A	8,146 A	30,557 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.97 E	\$1.28 E	\$1.43 E	\$1.67 E	\$5.06 E
2020	\$1.26 A	\$1.31 A	\$1.44 A	\$1.13 E	\$5.16 E
2019	\$1.17 A	\$1.22 A	\$1.29 A	\$1.54 A	\$5.22 A

*Quarterly figures may not add up to annual.

P/E TTM	16.8
P/E F1	18.4
PEG F1	2.6
P/S TTM	4.0

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 05/13/2020. The reports text is as of 05/14/2020.

Overview

In 2015, Medtronic, Inc. (the legacy NYSE-listed parent company, incorporated in Minnesota) acquired Ireland-based Covidien plc for cash-and-stock of \$49.9 billion. The acquisition resulted in the formation of a new holding company incorporated in Ireland – Medtronic plc (the new Irish tax resident, NYSE-listed parent company holding both the legacy Medtronic and Covidien).

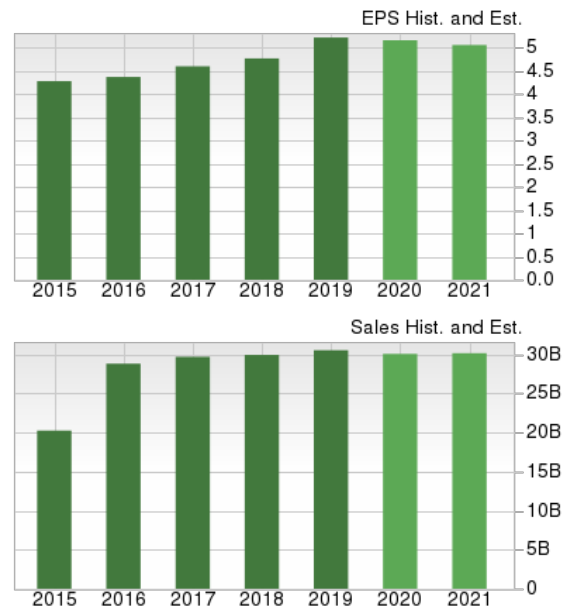
The combined business currently operates in 4 major groups, viz. **Cardiac & Vascular Group (CVG)** (37.7% of total revenues in fiscal 2019; up 2.9% from 2018 at CER), **Minimally Invasive Therapies Group (MITG)** (27.7%; up 5.8%), **Restorative Therapies Group (RTG)** (26.8%; up 6.6%) and **Diabetes Group** (7.8%; up 13.4%).

The company's largest business CVG, following the acquisition of Covidien, has emerged as a market dominant particularly banking on its Cardiac Rhythm & Heart Failure business that captures worldwide market share of more than 26%.

Apart from Cardiac Rhythm & Heart Failure, CVG comprises Coronary & Structural Heart, and Aortic & Peripheral Vascular divisions. MITG was formed following the completion of the Covidien acquisition and includes both the Surgical Solutions division and the Patient Monitoring & Recovery division, formerly referred to as Medical Care Solutions by Covidien prior to the takeover.

RTG includes the Spine, Neuromodulation, Surgical Technologies, and Neurovascular segments while the Diabetes Group includes the Intensive Insulin Management, Non-Intensive Diabetes Therapies, and Diabetes Services & Solutions divisions.

Notably, the legacy Medtronic used to derive revenues from 2 broad groups – Cardiac and Vascular Group and Restorative Therapies Group.



Reasons To Buy:

- ▲ **Price Movement:** Over the past one year, Medtronic has been observed to outperform the industry it belongs to. As per the last share price movement, the stock has improved 5.7% against the industry's 1.9% fall. Although the company's shares are outperforming its industry, the company is witnessing a plummeting share price performance due to the difficult macroeconomic conditions due to worldwide coronavirus outbreak. All major business groups saw solid top-line growth at CER, which highlighted sustainability across groups and regions, in addition to displaying successful achievement of synergy targets. Within RTG, strong sales at Specialty and Brain therapies more than offset slower growth in Pain therapies. Neurosurgery business posted double-digit growth at all three of the company's offerings — Robotics, Navigation and Imaging.

Within CVG, despite the ongoing challenges, the company saw 1.8% growth at CER. On visible signs of overcoming these headwinds, we expect a rebound in this trend any time soon. Meanwhile, multiple product lines within Pacing and TAVR showed strength in the quarter. The MITG arm demonstrated sturdy growth in the reported quarter on strength in Surgical Innovations (SI) and the Respiratory, Gastrointestinal & Renal (RGR) divisions.

Within Diabetes group, International business registered solid mid-teen growth on continued adoption of MiniMed 670G in overseas markets. The company has been witnessing strong enrollment in its Next Tech Pathway program, which enables purchasers of the MiniMed 670G to upgrade for free to its next-generation pump. In addition, the company witnessed double-digit growth in CGM and other consumables in the reported quarter. In fiscal 2020, Medtronic expects to launch its MiniMed 780G (its advanced hybrid closed-loop system with bluetooth connectivity)

- ▲ **Enterprise Excellence Plan Looks Promising:** Medtronic has recently launched a restructuring initiative called Enterprise Excellence plan aimed at \$3 billion of annual growth run rate savings by the end of fiscal 2022. According to the company, this new program has been designed to increase its effectiveness and enabled reinvestment for growth along with driving continued margin expansion and EPS leverage.

Through the fiscal third quarter, the company continued benefiting from the expansion of the Enterprise Excellence program. According to the company, it is confident about delivering the estimated 40 basis points of full year underlying operating margin expansion which is likely to mitigate the impact of unfavorable pricing and product mix.

- ▲ **Heart Failure Business Flourishes:** Despite a decline in the heart failure business revenues during the fiscal third quarter, the company's exclusive Micra leadless pacemaker and AZURE family of conventional pacemakers led to high single-digit growth in the pacing business during the quarter. The company also announced the regulatory approval for Micra AV in the reported quarter and is optimistic about its prospects in the fiscal fourth quarter.

Beyond Micra, the company's global pacemaker share is benefiting from unique feature differentiation in conventional pacemakers, including the Reactive ATP feature that resulted in differential reimbursement in Japan. This apart, Medtronic is registering robust growth in Infection Control, AF Solutions and Mechanical Circulatory Support businesses.

The company expects its U.S. TAVR business to improve on hopes that the market will focus on the hemodynamic benefits of its Evolut PRO+ platform and the launch of its Confida sheath. Outside the United States, the company's TAVR business grew modestly in the third quarter.

- ▲ **Signs of Stability in Cardiac Rhythm & Heart Failure (CRHF) market:** Over more than a year, Medtronic is observing a consistently and gradually stabilizing trend in the global CRHF market. During the fiscal third quarter, CRHF sales registered 0.3% year over year growth at CER. The upside was driven by low single-digit growth in Arrhythmia Management, which was again led by high single-digit growth in pacemakers on consistent adoption of the company's Micra transcatheter pacing system as well as strong growth in AF Solutions, all at CER.

- ▲ **Foray into TMVR market:** The transcatheter mitral valve replacement (TMVR) technology has bright prospects all over the world. Mitral valve regurgitation, a heart valve disorder characterized by backflow of blood, affects approximately 7 million people in the U.S. and they represent almost 2% of the nation's population. Alarming, most of the U.S. citizens suffering from heart valve-related disorders are afflicted by this. According to Grand View Research, the CAGR for transcatheter aortic valve replacement (TAVR) market will surge 22.6% from 2017 to more than \$6 billion in 2025. Since the TMVR patient population is almost four times that of TAVR, the TMVR market is undoubtedly more lucrative.

- ▲ **Mazor Robotics Strengthens Robotics Spine Surgery Business:** In a bid to grow in the field of robotics spine surgery, Medtronic acquired Mazor Robotics, an Israel-based robotic surgical guidance systems company for a deal-value of \$1.64 billion. The buyout has combined Medtronic's market-leading spine implants, navigation and intra-operative imaging technology with the acquired company's robotic-assisted surgery (RAS) systems. Following the completion of the transaction, Medtronic launched the Mazor X Stealth Edition robotics guidance platform in January 2019, and has already received positive feedback for this capability. At the end of fiscal 2019, Medtronic's share in spine robotic market increased to more than 70%. During the third quarter, the Neurosurgery segment of the company witnessed double-digit growth on strength in the Mazor Robotics acquisition.

- ▲ **Focus on Emerging Markets to Add Value:** Despite severe macroeconomic pressure, Medtronic saw emerging market growth of 14% in the fiscal third quarter. Sales from emerging markets represented 17% of the company's revenue this quarter. Businesses in China grew 14%, Southeast Asia and Eastern Europe 16%, South Asia 13%, and Middle East, Africa and Latin America rose 125%.

Medtronic is currently executing well its strategy of emerging market diversification leading to consistent delivery of double-digit growth every quarter, overcoming economic cycles over the years in the different countries. Despite the looming impact of coronavirus outbreak in China that may dent emerging market revenues in the upcoming quarter, overall, Medtronic remains confident and enthusiastic about its long-term

All major business groups are contributing to consistent revenue growth at CER, which highlights sustainability across groups and regions,

outlook for emerging markets. According to the company, its differentiated strategies of public and private partnerships and optimizing the distribution channel are paying-off and making a real difference in emerging markets around the world.

- ▲ **Prudent Use of Cash:** Cumulative cash flow from operating activities at the end of the third quarter was \$2.4 billion, up 51% from the year-ago quarter. Free cash flow at the end of the third quarter was \$2.1 billion, up 21% from year-ago period.

Going by the long-term capital deployment policy, Medtronic earlier expected to generate \$25 billion in free cash flow over the next five years (\$17 billion generated in the past five years) and will strive to return 50% to shareholders through dividends and share repurchases. Year-to-date, till the end of fiscal third quarter, the company returned \$2.8 billion or 57% of the cash it generated, resulting in a total shareholder payout of 51% on adjusted net earnings.

- ▲ **Strong Solvency With Heavy Payout Load:** Medtronic exited the third quarter of fiscal 2020 with cash and cash equivalents, and investments of \$11.63 billion compared with \$10.39 billion at the end of the second quarter of fiscal 2020. Meanwhile, total debt came up to \$25.58 billion for the period, compared to \$25.63 billion in the sequentially last reported quarter. This figure is much higher than the quarter-end cash and cash equivalent, and investments level, apparently indicating weak solvency. However, if we go by the company's current-year debt level of \$844 million, this comes pretty low compared to the cash in hand. This is good news in terms of solvency position of the company, at least during the year of economic downturn, implying that the company is holding sufficient cash for debt repayment.

Debt comparison with the industry is, however, unfavorable as industry's total debt of \$8.62 billion, stands much lower to the company's debt level.

The quarter's total debt-to-capital of 33% stands at a moderately high level, indicating a leveraged balance sheet. However, it represents a sequential decrease from 33.6% at the end of the fiscal third quarter. This compares favorably with the total debt-to-capital of the industry, which stands at a higher level of 35.5%. The overall data concludes that in terms of solvency level of the company, the picture is encouraging.

The times interest earned for the company stands at 4.1%, representing a sequential increase from 3.8% at the end of the fiscal second quarter. This, however, compares unfavorably with the times interest earned for the industry which stands at a higher level (4.4%).

In the fiscal third quarter, the company incurred an expense of \$2.17 billion as payments to shareholders. Also, it has 2.6 billion of authorized shares at present. The current payout ratio stands at a moderately high level of 38.2%, representing a sequential decrease from 38.5% from the end of the second quarter. Amid the pandemic-led economic crisis, if production and supply halt along with lockdowns continue through the next few months, the company might find paying its regular quarterly dividends to be over-burdened. However, this compares unfavorably with the payout rate of the industry which stands at a lower level (31.3%).

Reasons To Sell:

- ▼ **Challenges within CVG and Diabetes Dent Growth:** Fiscal third-quarter CVG revenues fell short of expectations owing to a decline in customer purchasing. The CVG segment lagged expectations due to the below-market growth rate of the company's U.S. TAVR business. In the Diabetes group, the U.S. business declined low double-digits owing to competitive challenges.
- ▼ **Exposure to Currency Movement:** With Medtronic recording a significant portion of its sales from the international market, it remains highly exposed to currency fluctuations. Unfavorable currency movements have been a major dampener over the last few quarters, as in the case of other important MedTech players too. Fiscal fourth-quarter revenues are expected to get adversely impacted by currency translation of 8-14 cents. Currency volatility is expected to have a 7-cent adverse impact on the full-year adjusted EPS compared with a negative impact of 10 cents mentioned earlier.
- ▼ **Regulatory Issues Hampering Growth:** In May 2015, the U.S. Food and Drug Administration (FDA) filed a consent decree against Medtronic, the company's CEO Omar Ishrak and neuromodulation divisional head, Thomas M. Tefft. The consent decree was based on Medtronic repeatedly failing to correct certain violations related to the manufacture of Synchronmed II Implantable Infusion Pump Systems – a device used to treat primary or metastatic cancer, chronic pain and severe spasticity. These violations determined on grounds of quality control and manufacturing were arrived at during 2006–2013, in the course of five FDA inspections at Medtronic's Minnesota plant. Subsequently, three warning letters were issued in this regard. The consent decree now requires Medtronic to halt the manufacturing, designing and distribution of new Synchronmed II Implantable Infusion Pump Systems barring certain cases (when a physician decides that the Synchronmed II Implantable Infusion Pump System is medically necessary for treatment). Although Medtronic is currently working on improving the quality, the consent decree will remain in effect till the FDA is convinced that Medtronic has met all the provisions listed therein.
- ▼ **Competitive Landscape:** The presence of a large number of players has made the medical devices market highly competitive. Medtronic earns the majority of revenues from CRDM, Spinal and Cardio Vascular segments. The company faces intense competition in the CRDM segment from players such as Boston Scientific Corporation, and St. Jude Medical. Players such as Johnson & Johnson, Stryker Corporation, Zimmer and NuVasive have intensified competition particularly in the Spinal segment.
Economic Uncertainty: Macroeconomic conditions in many of the developed countries have led to reduction in healthcare budgets and increased pressure on utilization. This leads to fewer procedures, a trend that is expected to continue in the near future and affect revenue growth at the company.

Headwinds like unfavorable currency movement and global economic uncertainties continue to adversely affect Medtronic. Also, several legal and regulatory issues are intimidating in the short term.

Last Earnings Report

Medtronic Q3 Earnings Top Estimates, Revenues Miss

Medtronic has reported third-quarter fiscal 2020 adjusted earnings per share of \$1.44, beating the Zacks Consensus Estimate by 4.3%. Adjusted earnings also rose 11.6% year over year.

Without certain one-time adjustments — including restructuring, amortization expenses and certain litigation charges — GAAP earnings was \$1.42, reflecting a 51.1% rise from the year-ago reported figure.

Quarter Ending 01/2020

Report Date	Feb 18, 2020
Sales Surprise	-1.17%
EPS Surprise	4.35%
Quarterly EPS	1.44
Annual EPS (TTM)	5.55

Total Revenues

Worldwide revenues in the reported quarter grossed \$7.71 billion, up 2.6% on an organic basis (excluding the impacts of currency and significant acquisitions, including Titan Spine) and up 2.3% on a reported basis. The top line missed the Zacks Consensus Estimate by a marginal 1.2%. Revenues at constant exchange rate or CER improved 2.9% in the quarter, considering adjustments for a \$46-million negative impact of foreign currency.

In the quarter under review, U.S. sales (52% of total revenues) inched up 0.5% year over year on a reported basis to \$4.02 billion. While non-U.S. developed market revenues summed \$2.38 billion (31% of total revenues), depicting a 0.4% improvement on a reported basis (up 1.5% at CER). Again, emerging market revenues (17% of total revenues) amounted to \$1.32 billion, up 12% on a reported basis (up 13.6% at CER).

Segment Details

The company currently generates revenues from four major segments, namely Cardiac and Vascular Group ("CVG"), Minimally Invasive Therapies Group ("MITG"), Restorative Therapies Group ("RTG"), and Diabetes Group.

CVG comprises Cardiac Rhythm & Heart Failure ("CRHF"), Coronary & Structural Heart ("CSH"), and Aortic & Peripheral Vascular divisions ("APV"). MITG includes Surgical Innovations ("SI"), and Respiratory, Gastrointestinal & Renal ("RGR") divisions. RTG consists of Spine, Brain Therapies, Specialty Therapies and Pain Therapies segments, while Diabetes Group incorporates Intensive Insulin Management ("IIM"), Non-Intensive Diabetes Therapies ("NDT") and Diabetes Service & Solutions ("DSS") divisions.

In the fiscal third quarter, CVG revenues improved 1.8% at CER (up 1.2% on a reported basis) to \$2.82 billion, driven by mid-single-digit growth in CSH and low-single-digit growth in APV, offset by flat results in CRHF, all at CER.

CRHF sales totaled \$1.39 billion, up 0.3% year over year at CER (down 0.3% on a reported basis). Low-single-digit growth in Arrhythmia Management was led by high-single-digit growth in Pacemakers on the consistent adoption of the company's Micra transcatheter pacing system as well as strong growth in AF Solutions, all at CER.

CSH revenues were up 4.6% at CER (up 3.8% as reported) to \$948 million, driven by mid-teens constant currency growth in TAVR. However, growth was partially offset by mid-single-digit decline year over year in drug-eluting stents sales in the quarter.

APV revenues were up 1.1% at CER (up 0.4% on a reported basis) to \$478 million. Mid-single-digit growth in Aortic was offset by a high-single-digit decline in Peripheral.

In MITG, worldwide sales totaled \$2.18 billion, marking a 3.2% year-over-year increase at CER (up 2.4% on a reported basis), banking on mid-single-digit growth in SI and low-single-digit growth in RGR.

In RTG, worldwide revenues of \$2.11 billion were up 3.6% year over year on an organic basis (up 4.2% as reported) on high-single-digit growth in Brain Therapies, mid-single-digit growth in Specialty Therapies and flat results in Spine, offset by a low-single-digit fall in Pain Therapies.

Moreover, revenues at the Diabetes group increased 0.8% at CER (remained unchanged on a year-over-year basis) to \$610 million.

Margins

Gross margin in the reported quarter contracted 108 basis points (bps) to 68.9% on 5.9% rise in the cost of revenues to \$2.40 billion. Adjusted operating margin contracted 20 bps year over year to 27.9%. Meanwhile, selling, general and administrative expenses fell 0.3% to \$2.58 billion, while research and development expenses moved up 2.1% to \$573 million.

2020 Guidance

The company issued fiscal fourth-quarter adjusted earnings guidance of \$1.62-\$1.64 on organic revenue growth expectation of 4.5%. The Zacks Consensus Estimate for earnings is pegged at \$1.64, while that for revenues is pegged at \$8.50 billion.

Fiscal fourth-quarter revenues are expected to get adversely impacted by currency translation of 8-14 cents.

Fiscal 2020 adjusted earnings view has been raised to \$5.63-\$5.65 (up from \$5.57-\$5.63 mentioned earlier). Currency volatility is expected to have a 7-cent adverse impact on the full-year adjusted earnings compared with a negative impact of 10 cents mentioned earlier. The Zacks Consensus Estimate for the same is pegged at \$5.60.

Recent News

On **Mar 30, 2020**, Medtronic announced favorable results of the Onyx ONE Clear Study, which evaluated Resolute Onyx DES in high bleeding risk (HBR) patients with one-month dual antiplatelet therapy (DAPT) in the United States and Japan.

On **Mar 29, 2020**, Medtronic announced the first-ever clinical data from the SPYRAL HTN-OFF MED Pivotal Trial, which demonstrated the superiority for Renal Denervation in patients with high blood pressure, unlike sham procedure.

On **Mar 29, 2020**, Medtronic announced late-breaking clinical data from the Low Risk Bicuspid Study, which assessed the use of the Evolut transcatheter aortic valve replacement (TAVR) system in patients with bicuspid aortic valve stenosis at low surgical risks.

On **Mar 27, 2020**, Medtronic announced that two new solutions designed to help assess, monitor, and triage support for patients who may be concerned about COVID-19 and their respiratory symptoms are being launched by its Medtronic Care Management Services (MCMS) business. A new Respiratory Infectious Disease Health Check to existing MCMS customers has already been launched. It is currently on track to launch a new COVID-19 Virtual Care Evaluation and Monitoring solution available to U.S. health systems, health plans and employers.

On **Mar 18, 2020**, Medtronic announced a revised statement where it confirmed the scaling up of its production capacity and is on track to more than double its capacity to manufacture and supply ventilators in response to the urgent needs of patients and healthcare systems worldwide battling the COVID-19.

On **Feb 24, 2020**, Medtronic announced the conclusion of the International Conference on Advanced Technologies & Treatments for Diabetes (ATTD 2020), which took place in Madrid, Spain, from February 19 - 22, 2020. The company's Diabetes Group presented scientific data focusing on the company's offerings like the Advanced hybrid closed loop system, extended wear infusion set technology, MiniMed 670G system's real-world data in Europe and Professional CGM (proCGM).

Valuation

Medtronic shares are down 17.8% in the year-to-date period and up 5.7% in the trailing 12-month period. Stocks in the Zacks sub-industry and Zacks Medical sector are down 9% and down 4.7% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 1.9% and up 1.4%, respectively.

The S&P 500 index is down 10.9% in the year-to-date period and up 0.3% in the past year.

The stock is currently trading at 18.4X Forward 12-months earnings, which compares to 30.9X for the Zacks sub-industry, 22.1X for the Zacks sector and 20.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 20.5X and as low as 12.2X, with a 5-year median 16.8X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$98 price target reflects 19.3X forward 12-months earnings.

The table below shows summary valuation data for MDT.

Valuation Multiples - MDT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.39	30.97	22.14	20.44
	5-Year High	20.48	30.97	22.14	20.79
	5-Year Low	12.18	17.01	15.81	15.19
	5-Year Median	16.81	19.73	18.81	17.45
P/S F12M	Current	4.13	3.33	2.68	3.18
	5-Year High	4.97	3.99	3.84	3.44
	5-Year Low	3.00	2.88	2.24	2.54
	5-Year Median	3.76	3.22	2.96	3.02
P/B TTM	Current	2.41	3.06	3.69	3.70
	5-Year High	3.20	4.25	5.05	4.55
	5-Year Low	1.73	2.21	2.92	2.84
	5-Year Median	2.28	2.77	4.28	3.65

As of 05/13/2020

Industry Analysis Zacks Industry Rank: Top 19% (49 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
ABIOMED, Inc. (ABMD)	Neutral	4
Abbott Laboratories (ABT)	Neutral	3
Baxter International Inc. (BAX)	Neutral	3
The Cooper Companies, Inc. (COO)	Neutral	3
DaVita Inc. (DVA)	Neutral	2
Intuitive Surgical, Inc. (ISRG)	Neutral	4
Stryker Corporation (SYK)	Neutral	4
Boston Scientific Corporation (BSX)	Underperform	4

Industry Comparison Industry: Medical - Products				Industry Peers		
	MDT	X Industry	S&P 500	ABT	BSX	COO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	4	-	-	3	4	3
VGM Score	B	-	-	D	F	C
Market Cap	125.01 B	299.04 M	18.76 B	163.02 B	50.05 B	15.81 B
# of Analysts	14	3	14	10	11	11
Dividend Yield	2.32%	0.00%	2.23%	1.56%	0.00%	0.02%
Value Score	C	-	-	D	F	C
Cash/Price	0.09	0.10	0.06	0.02	0.01	0.00
EV/EBITDA	14.85	-0.01	11.39	22.70	25.93	20.53
PEG Ratio	2.56	4.04	2.54	3.82	4.05	2.25
Price/Book (P/B)	2.41	3.55	2.56	5.36	3.62	4.24
Price/Cash Flow (P/CF)	12.83	16.38	10.04	18.47	14.88	16.35
P/E (F1)	18.23	31.40	18.48	32.77	39.47	24.78
Price/Sales (P/S)	4.02	4.76	1.91	5.08	4.64	5.92
Earnings Yield	5.42%	0.09%	5.09%	3.05%	2.54%	4.03%
Debt/Equity	0.48	0.10	0.75	0.55	0.68	0.33
Cash Flow (\$/share)	7.27	-0.01	7.01	4.99	2.40	18.13
Growth Score	B	-	-	D	F	B
Hist. EPS Growth (3-5 yrs)	6.24%	12.07%	10.82%	10.11%	13.88%	13.58%
Proj. EPS Growth (F1/F0)	-1.99%	-2.41%	-10.51%	-13.21%	-42.64%	-3.15%
Curr. Cash Flow Growth	6.26%	4.32%	5.83%	4.54%	12.08%	6.09%
Hist. Cash Flow Growth (3-5 yrs)	15.58%	7.74%	8.52%	11.80%	10.33%	12.65%
Current Ratio	2.75	2.73	1.27	1.43	1.21	1.08
Debt/Capital	32.25%	16.31%	44.25%	35.58%	40.33%	24.85%
Net Margin	17.11%	-27.05%	10.59%	11.15%	39.75%	16.99%
Return on Equity	14.76%	-9.05%	16.36%	18.61%	18.24%	16.74%
Sales/Assets	0.34	0.56	0.54	0.47	0.39	0.42
Proj. Sales Growth (F1/F0)	0.30%	0.00%	-2.55%	-2.16%	-11.12%	0.46%
Momentum Score	A	-	-	A	F	D
Daily Price Chg	-2.02%	-2.08%	-2.85%	-1.75%	-3.27%	-2.34%
1 Week Price Chg	4.09%	1.78%	3.23%	4.28%	6.09%	8.64%
4 Week Price Chg	-4.15%	1.87%	-0.28%	1.34%	2.82%	-0.76%
12 Week Price Chg	-18.01%	-11.19%	-23.80%	3.13%	-16.85%	-16.87%
52 Week Price Chg	5.68%	-6.08%	-13.31%	20.45%	-3.51%	1.95%
20 Day Average Volume	5,334,646	256,892	2,552,088	9,529,270	9,489,144	264,084
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	-2.08%
(F1) EPS Est 4 week change	-5.73%	-2.06%	-6.15%	3.65%	-30.58%	-4.07%
(F1) EPS Est 12 week change	-16.11%	-11.89%	-16.21%	-21.85%	-48.58%	-6.57%
(Q1) EPS Est Mthly Chg	-12.87%	-4.23%	-12.28%	-3.56%	-128.82%	-8.17%

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	B
Momentum Score	A
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.