

MGM Resorts (MGM)

\$26.51 (As of 11/16/20)

Price Target (6-12 Months): **\$28.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/18/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:F

Value: B

Growth: F

Momentum: F

Summary

Shares of MGM Resorts have underperformed the industry so far this year. The dismal performance can primarily be attributed to the coronavirus related woes. Recently, the company reported mixed third-quarter 2020 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. While the bottom line beat the consensus mark for the second straight quarter, the top line lagged the same for the sixth consecutive quarter. However, increased focus on asset light strategy, non-gaming activities and digital initiatives bode well. Despite the pandemic, it is confident about prospects in Macau and will continue to invest in the same. Although casinos in Macau properties have reopened, it is witnessing low visitation. Moreover, MGM Resorts has cut dividend and decreased non-essential spending to maintain liquidity.

Price, Consensus & Surprise

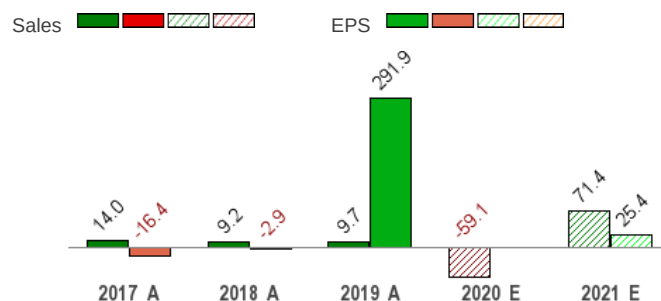


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$34.64 - \$5.90
20-Day Average Volume (Shares)	11,777,083
Market Cap	\$13.1 B
Year-To-Date Price Change	-20.3%
Beta	2.28
Dividend / Dividend Yield	\$0.01 / 0.0%
Industry	Gaming
Zacks Industry Rank	Bottom 25% (191 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.8%
Last Sales Surprise	-7.6%
EPS F1 Estimate 4-Week Change	-3.8%
Expected Report Date	02/10/2021
Earnings ESP	0.0%
P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	1.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	2,075 E	2,138 E	2,427 E	2,475 E	9,039 E
2020	2,253 A	290 A	1,126 A	1,573 E	5,274 E
2019	3,177 A	3,223 A	3,314 A	3,185 A	12,900 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.69 E	-\$0.58 E	-\$0.26 E	-\$0.24 E	-\$1.47 E
2020	-\$0.45 A	-\$1.52 A	-\$1.08 A	-\$0.87 E	-\$1.97 E
2019	\$0.12 A	\$0.23 A	\$0.31 A	\$0.08 A	\$3.88 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 11/16/2020. The reports text is as of 11/17/2020.

Overview

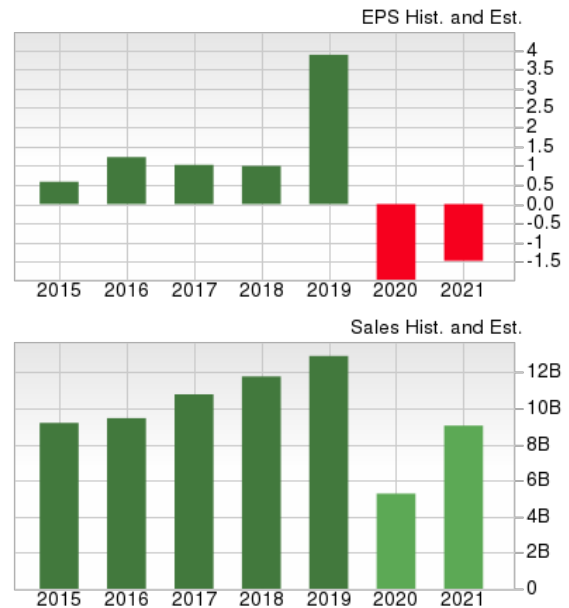
MGM Resorts International is a holding company and primarily owns and operates casino resorts through wholly owned subsidiaries. The company's resorts portfolio incorporates 30 unique hotel offerings, including some of the most familiar resort brands in the industry such as Bellagio, MGM Grand, Mandalay Bay and The Mirage.

The company reported 2019 results under three operating segments: Las Vegas Strip (45.2% of total revenues in 2019), Regional Operations (27.5%), MGM China (22.5%) and Management and other operations (4.8%). Notably, City Centre Operations also had accountability to total revenues. MGM China's operations consist of the MGM Macau resort and casino (MGM Macau) and the company is currently developing an integrated casino, hotel, and entertainment resort on the Cotai Strip in the region. Meanwhile, in Oct 2015, MGM Resorts created a controlled real estate investment trust (REIT) named MGM Growth Properties LLC (MGP), which began trading in April 2016.

MGM Resorts International holds 73% interest in MGM Growth Properties LLC (MGP), a premier real estate investment trust engaged in the acquisition, ownership and leasing of large-scale resorts. It also owns 56% stake in MGM China Holdings Limited, which owns MGM MACAU and 50% of CityCenter in Las Vegas.

MGM Resorts recently acquired the operations of Empire City Casino in New York and Hard Rock Rocksino in Ohio, which was rebranded as MGM Northfield Park. In 2018, MGM Resorts opened MGM Springfield in Massachusetts, MGM COTAI in Macau, and the first Bellagio-branded hotel in Shanghai.

The company's superior business model, extensive non-gaming revenue opportunities, high-quality assets and attractive property locations are the primary growth drivers. In the past few years, it has taken various initiatives to align every recognized brand into one global entertainment brand. This resulted in a disciplined business model, with a unified view of strategy.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Strong Brand Recognition:** MGM Resorts, one of the leading companies in the gaming and lodging industry, is well poised to grow on high brand awareness. The company's superior business model, extensive non-gaming revenue opportunities, high-quality assets and attractive property locations are the primary growth drivers. In the past few years, the company has taken various initiatives to align every recognized brand into one global entertainment brand. This resulted in a disciplined business model with a unified view of strategy. Meanwhile, with a gradual economic recovery in the United States, the company's business seems to improve further. Moreover, a few other new entertainment offerings in the pipeline are expected to deliver increased profitability across the company's properties. The company's core strategies include optimizing its customer mix, leveraging the casino database in a targeted way and driving more profitable business. MGM Resorts undertook a growth initiative called MGM 2020 last year and has been realizing material savings in labor, sourcing and revenue enhancement opportunity.

An increase in visitation in the Las Vegas market, solid long-term prospects of Macau business and the company's focus on non-gaming activities is likely to aid growth

▲ **Asset Light Strategy:** Instead of being a capital intensive, brick & mortar real estate business, the company intends to be a developer, manager and operator of major gaming, hospitality and entertainment properties. The company wants to focus on sports and live entertainment. Of late, the company is focusing on asset light strategy. Recently, MGM Resorts announced that it has signed a definitive agreement to sell its Las Vegas Properties. To this end, MGM Growth Properties LLC ("MGP") and Blackstone Real Estate Income Trust ("BREIT") formed a joint venture to acquire the MGM Grand Las Vegas for \$2.5 billion. Earlier, the company had announced two separate deals. Firstly, MGM Resorts International and Blackstone Real Estate Income Trust will form a 95%/5% BREIT-led joint venture to acquire MGM Resorts' Bellagio for \$4.25 billion and then lease it back to a unit of MGM Resorts for annual rent of \$245 million. Secondly, the company has entered into a definitive agreement with an affiliate of Treasure Island owner Phil Ruffin to sell Circus Las Vegas for \$825 million.

▲ **Macau Business to Spur Growth over the Long-term:** MGM derives a solid share of its revenues from Macau — the largest gaming destination in the world. It is undertaking initiatives to increase revenues and junket productivity in Macau, and anticipates a positive trend, buoyed by upgrades to main gaming floor products and marketing initiatives. Notably, revenues at MGM China improved 19% on a year-over-year basis in 2019. Despite the coronavirus pandemic, the company is confident about prospects in Macau and will continue to invest. The company announced that the market will bounce back quickly after the Visa scheme and other restrictions are lifted.

Also, the government of China is considering measures to support Macau's economy in all aspects and introduce favorable policies, which is expected to improve visitation pattern and boost tourism and traffic in the region. These include the approval of Macau's maritime expansion plans that are expected to aid shipping and tourism. Also, the government has enabled mainland Chinese cities to offer multi-entry permits. Moreover, the opening of the world's longest sea-crossing bridge and tunnel in the prior year, which connects Macau to Hong Kong, as well as mainland China's Pearl River Delta, is likely to prove beneficial for casino operators.

▲ **Digital initiatives:** MGM Resorts utilizes various types of technology to maximize revenues and efficiency in operations. The company continues to adopt ways that drive bookings. MGM Resorts has an M life Rewards program for its customers at domestic resorts. M life provides access to rewards, privileges and members-only events.

Moreover, the company's website, mlife.com continues to generate substantial revenues. The website offers customers all the necessary information to customize a complete itinerary at one place. Management believes that its continued digital endeavors will facilitate high margins with lesser capital spending. Recently, MGM Resorts partnered Boyd Gaming to significantly enhance each company's market access and customer base throughout the United States. Under the partnership, both the companies have initiated opportunities to offer online and mobile gaming platforms – including sports betting, casino gaming and poker.

▲ **Sports Betting to Drive Growth:** Sports betting and iGaming continues to be a major growth driver following the legalization of sports betting outside Nevada. The company continues to focus on sports betting expansion. Recently, BetMGM and GVC Holdings — announced second round of investment. This brings the total investment to \$450 million. In the first round, both the companies have invested \$200 million. Ever since its launch in 2018, the company has done extremely well and is on track to operate in 11 states by the end of 2020. Notably, BetMGM continues to gain market share. In September, sports betting as well as iGaming market share were approximately 18% in the states in which it operates. The company has also unveiled a streamlined betting experience on Yahoo Sports.

MGM Resorts and GVC Holdings' joint venture, Roar Digital's sports betting brand, BetMGM and The Denver Broncos recently entered into a multi-year agreement. Per the deal, BetMGM and MGM Resorts will become an official sports betting partner of the Broncos. However, the financial terms of the deal has been kept under wraps.

▲ **Enough Liquidity to Tide Over Coronavirus Pandemic:** MGM Resorts has enough liquidity, which will help it survive in a zero revenue scenario. The company ended the third quarter with cash and cash equivalents of \$4,493.9 million as of Sep 30, 2020 compared with \$4,835.5 million on Jun 30, 2020. The company's cash burn has also declined due to the reopening of properties. The company has enough cash to survive the coronavirus pandemic. Although the company's long-term debt at the end of quarter stands at \$11,414.7 million, compared with \$11,339.6 million as of Jun 30, 2020, it has no debt maturing prior to 2022, excluding MGP and MGM China. At the end of third-quarter 2020, the company had debt-to-capital ratio of 0.3, this gives an indication that its debt level is manageable.

Reasons To Sell:

- ▼ **Dismal Top & Bottom Lines Performance in Q3:** MGM Resorts reported third-quarter 2020 results, wherein both earnings and revenues declined sharply year over year. The company reported adjusted loss per share of \$1.08, against adjusted earnings per share of 31 cents in the prior-year quarter. Total revenues were \$1,125.9 million, which missed the Zacks Consensus Estimate of \$1,219 million. Moreover, the top line declined 66% year over year. The downside can primarily be attributed to the temporary closure of certain domestic properties during the quarter, and other restrictions in Macau and domestic market due to the coronavirus pandemic. Moreover, travel restrictions impacted the company's performance in the quarter under review.
- ▼ **Coronavirus Likely to Hurt Results:** MGM Resorts' financial numbers in 2020 are likely to be impacted by the outbreak of coronavirus. Although casinos in Macau properties are now open, the company is witnessing low visitation. Despite occupancy improving sequentially every month, it is still below the pre-pandemic level.
- ▼ **Withdraws Dividend:** In an effort to maintain sufficient liquidity, the company has cut dividend and decreased non-essential spending. Moreover, due to COVID-19 distress, MGM Resorts announced the termination of its previously announced modified Dutch auction tender offer. As a result of this termination, the company withdrew the purchase of \$1,250,000,000 issued and outstanding shares of its common stock.
- ▼ **Heightened Competition:** MGM Resorts operates in the highly competitive markets of Las Vegas and Macau. Increased hotel openings and promotional activities have made these markets highly competitive. Thus, excess supply, especially in the Macau market, might reduce the company's market share. The company's upcoming projects are expected to face extreme peer pressure from several Chinese casino operators as well as The Parisian Macao and the Sands Cotai Central project of Las Vegas Sands Corp.

The coronavirus pandemic, dismal top and bottom line performance and increased competition remain concerns.

Last Earnings Report

MGM Resorts Posts Narrower-than-Expected Loss in Q3

MGM Resorts reported mixed third-quarter 2020 results, wherein earnings beat the Zacks Consensus Estimate but revenues missed the same. While the bottom line beat the consensus mark for the second straight quarter, the top line lagged the same for the sixth consecutive quarter. Following the results, the company's shares declined 5.6% in after-hour trading session yesterday.

Both top and bottom lines declined sharply year over year. Partial operations at the company's certain domestic properties on account of restrictions owing to the coronavirus pandemic impacted the results.

Earnings & Revenues Discussion

MGM Resorts reported adjusted loss per share of \$1.08, narrower than the Zacks Consensus Estimate of a loss of \$1.10. In the prior-year quarter, the company had reported adjusted earnings per share of 31 cents.

Total revenues were \$1,125.9 million, which missed the Zacks Consensus Estimate of \$1,219 million. Moreover, the top line declined 66% year over year. The downside can primarily be attributed to the temporary closure of certain domestic properties during the quarter, and other restrictions in Macau and domestic market owing to the coronavirus pandemic. Moreover, travel restrictions impacted the company's performance in the quarter under review.

MGM China

MGM China's net revenues slumped 94% year over year to \$47 million, owing the coronavirus pandemic. VIP Table Games Hold adjusted MGM China net revenues plunged 92% year over year to \$54 million.

MGM China's adjusted property EBITDAR (Earnings before interest, taxes, depreciation, amortization, and restructuring or rent costs) loss was \$96 million. In the prior-year quarter, the company had reported adjusted property EBITDAR of \$184 million.

Domestic Operations

Net revenues at Las Vegas Strip Resorts during the third quarter were \$481 million, down 68% year over year. Adjusted property declined 97% year over year to \$15 million.

During quarter under review, net revenues from the company's regional operations totaled \$557 million, down 40% from the prior-year quarter owing to dismal non gaming revenues and a partial quarter of operations at The Mirage and Park MGM. Adjusted property EBITDAR were \$146 million, down 46% year over year. However, adjusted property EBITDAR margin contracted 261 basis points year over year.

Casino revenues in the quarter under review fell 44% year over year at the company's Las Vegas Strip Resorts primarily due to partial quarter of operations at The Mirage and Park MGM and operational restriction owing to the pandemic. Moreover, slots handle declined 41%. Notably, slots handle decreased 35% at its Regional Operations.

Balance Sheet

MGM Resorts ended the third quarter with cash and cash equivalents of \$4,493.9 million compared with \$2,329.6 million on Dec 31, 2019. The company's long-term debt at the end of quarter stands at \$11,414.7 million, compared with \$11,168.9 million as of Dec 31, 2019.

Quarter Ending	09/2020
Report Date	Oct 29, 2020
Sales Surprise	-7.61%
EPS Surprise	1.82%
Quarterly EPS	-1.08
Annual EPS (TTM)	-2.97

Recent News

MGM Resorts' BetMGM Turns Partner for Las Vegas Raiders – Sep 17, 2020

MGM Resorts and GVC Holdings' joint venture — BetMGM — has become the official sports betting partner of Las Vegas Raiders. Notably, the collaboration enhances the multi-year partnership between MGM Resorts and Raiders. Per the agreement, BetMGM will provide educational information about the BetMGM app to Raiders fans in Nevada.

MGM Resorts To Complete Reopening Of Its Properties Worldwide – Sep 14, 2020

MGM Resorts announced the opening of Park MGM and NoMad Las Vegas on Sep 30, 2020. This will mark the completion of its property reopenings, worldwide.

MGM Resorts' BetMGM & Detroit Lions Announce Partnership – Sep 3, 2020

MGM Resorts and GVC Holdings' joint venture Roar Digital's sports betting brand — BetMGM — has become the official betting partner of The Detroit Lions, a professional American football team. The partnership features fan-focused assets including presenting sponsor of Lions Bingo and Lions Perks and team broadcast programming, digital marketing assets, and in-stadium promotions and signage.

Valuation

MGM Resorts' shares are down by 20.3% in the year-to-date period and 16% over the trailing 12-month period. Stocks in the Zacks sub-industry is down by 9.1%, and Zacks Consumer Discretionary sector is down by 5.7% in the year-to-date period. Over the past year, the Zacks sub-industry was down by 2.4%, while sector was up by 9.1%.

The S&P 500 index is up by 13% in the year-to-date period and 16.6% in the past year.

The stock is currently trading at 1.53x forward 12-month sales, which compares to 3.46x for the Zacks sub-industry, 2.52x for the Zacks sector and 4.15x for the S&P 500 index.

Over the past five years, the stock has traded as high as 1.8x and as low as 0.28x, with a 5-year median of 1.29x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$28 price target reflects 1.61x forward 12-month sales.

The table below shows summary valuation data for MGM.

Valuation Multiples - MGM					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1.53	3.46	2.52	4.15
	5-Year High	1.8	3.46	2.9	4.3
	5-Year Low	0.28	1.62	1.7	3.17
	5-Year Median	1.29	2.53	2.48	3.67
EV/EBITDA TTM	Current	15.99	34.64	11.89	16.17
	5-Year High	29.06	34.64	17.89	16.17
	5-Year Low	3.18	7.26	8.31	9.54
	5-Year Median	11.14	13.36	12.26	13.1
P/B TTM	Current	1.12	4.7	3.24	6.16
	5-Year High	1.94	5.02	4.84	6.17
	5-Year Low	0.29	1.91	2.23	3.74
	5-Year Median	1.47	3.97	4.17	4.9

As of 11/16/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 25% (191 out of 254)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Boyd Gaming Corporation (BYD)	Outperform	2
Churchill Downs, Incorporated (CHDN)	Neutral	4
Century Casinos, Inc. (CNTY)	Neutral	3
Caesars Entertainment, Inc. (CZR)	Neutral	4
Melco Resorts & Entertainment Limited (MLCO)	Neutral	4
Penn National Gaming, Inc. (PENN)	Neutral	3
Las Vegas Sands Corp. (LVS)	Underperform	4
Wynn Resorts, Limited (WYNN)	Underperform	4

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

Industry Comparison Industry: Gaming				Industry Peers		
	MGM	X Industry	S&P 500	LVS	MLCO	WYNN
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Underperform
Zacks Rank (Short Term)	3	-	-	4	4	4
VGM Score	F	-	-	F	F	F
Market Cap	13.09 B	2.00 B	26.18 B	44.59 B	8.52 B	10.22 B
# of Analysts	2	3.5	13.5	5	1	4
Dividend Yield	0.04%	0.00%	1.48%	0.00%	0.88%	0.00%
Value Score	B	-	-	D	F	D
Cash/Price	0.36	0.19	0.06	0.05	0.23	0.36
EV/EBITDA	3.95	11.04	14.59	10.06	8.85	12.36
PEG F1	NA	1.03	2.77	NA	NA	NA
P/B	1.12	3.05	3.62	11.61	4.14	NA
P/CF	7.89	10.90	13.69	11.93	8.16	10.90
P/E F1	NA	28.58	22.23	NA	NA	NA
P/S TTM	1.91	2.87	2.88	7.46	3.21	3.34
Earnings Yield	-7.43%	-3.22%	4.32%	-3.46%	-14.20%	-20.17%
Debt/Equity	0.98	0.49	0.70	3.60	2.75	-22.98
Cash Flow (\$/share)	3.36	0.56	6.92	4.89	2.27	8.69
Growth Score	F	-	-	F	D	F
Historical EPS Growth (3-5 Years)	-8.35%	-4.77%	9.77%	-3.92%	34.21%	9.72%
Projected EPS Growth (F1/F0)	-150.64%	-110.47%	0.37%	-162.09%	-380.68%	-831.99%
Current Cash Flow Growth	-1.74%	-1.74%	5.34%	-0.77%	9.54%	-27.48%
Historical Cash Flow Growth (3-5 Years)	9.93%	9.19%	8.33%	-1.30%	0.60%	-3.64%
Current Ratio	2.24	1.69	1.38	1.31	1.69	2.29
Debt/Capital	49.50%	55.62%	41.97%	78.28%	73.33%	97.85%
Net Margin	20.81%	-11.75%	10.40%	-12.67%	-37.56%	-61.07%
Return on Equity	-12.08%	-10.58%	15.07%	-12.97%	-45.84%	-327.32%
Sales/Assets	0.19	0.36	0.50	0.27	0.38	0.21
Projected Sales Growth (F1/F0)	-59.12%	0.00%	0.23%	-72.41%	-64.48%	-67.76%
Momentum Score	F	-	-	D	F	D
Daily Price Change	2.36%	2.07%	1.84%	0.17%	2.55%	2.77%
1-Week Price Change	17.62%	5.07%	4.29%	10.00%	11.48%	15.14%
4-Week Price Change	27.45%	9.34%	7.73%	29.85%	26.59%	35.98%
12-Week Price Change	19.04%	6.77%	10.59%	17.20%	-4.09%	9.16%
52-Week Price Change	-15.92%	-6.05%	6.85%	-6.05%	-16.80%	-21.15%
20-Day Average Volume (Shares)	11,777,083	131,255	2,197,472	6,720,623	3,540,969	4,729,033
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-3.80%	0.00%	1.77%	-27.14%	-1.50%	-32.11%
EPS F1 Estimate 12-Week Change	1.28%	1.08%	3.73%	-36.57%	-90.40%	-36.06%
EPS Q1 Estimate Monthly Change	-13.57%	7.41%	0.63%	-151.21%	-23.81%	-27.48%

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	F
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.