

M&T Bank Corporation (MTB)

\$149.42 (As of 03/22/21)

Price Target (6-12 Months): **\$157.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 03/22/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: C

Growth: D

Momentum: C

Summary

Shares of M&T Bank have underperformed the industry over the past six months. It has a decent earnings surprise history, having surpassed the Zacks Consensus Estimate in three of the trailing four quarters. The company's product and balance-sheet diversification efforts, with support from a strong capital position, seem impressive. Notably, the company entered into an all-stock deal worth \$7.6 billion to acquire People's United. Further, the bank's steady capital-deployment activities reflect its robust liquidity position. However, rising expenses might deter bottom-line growth. Given the company's ongoing investments in areas, including operational infrastructure and technology, its expenses are likely to remain elevated. Further, significant exposure to commercial real estate loans and poor credit quality are headwinds.

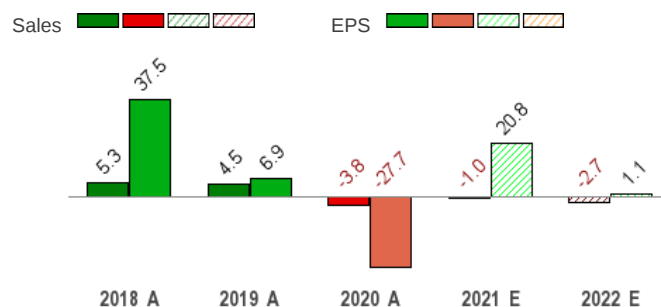
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$164.72 - \$85.09
20-Day Average Volume (Shares)	1,101,718
Market Cap	\$19.2 B
Year-To-Date Price Change	17.4%
Beta	1.21
Dividend / Dividend Yield	\$4.40 / 2.9%
Industry	Banks - Major Regional
Zacks Industry Rank	Top 42% (107 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	19.6%
Last Sales Surprise	5.4%
EPS F1 Estimate 4-Week Change	-0.9%
Expected Report Date	04/19/2021
Earnings ESP	0.7%
P/E TTM	14.9
P/E F1	12.4
PEG F1	1.7
P/S TTM	3.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,451 E	1,429 E	1,441 E	1,456 E	5,735 E
2021	1,475 E	1,468 E	1,464 E	1,457 E	5,895 E
2020	1,506 A	1,444 A	1,464 A	1,541 A	5,955 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$2.68 E	\$3.12 E	\$3.18 E	\$3.31 E	\$12.14 E
2021	\$2.92 E	\$3.16 E	\$2.92 E	\$2.88 E	\$12.01 E
2020	\$1.95 A	\$1.76 A	\$2.77 A	\$3.54 A	\$9.94 A

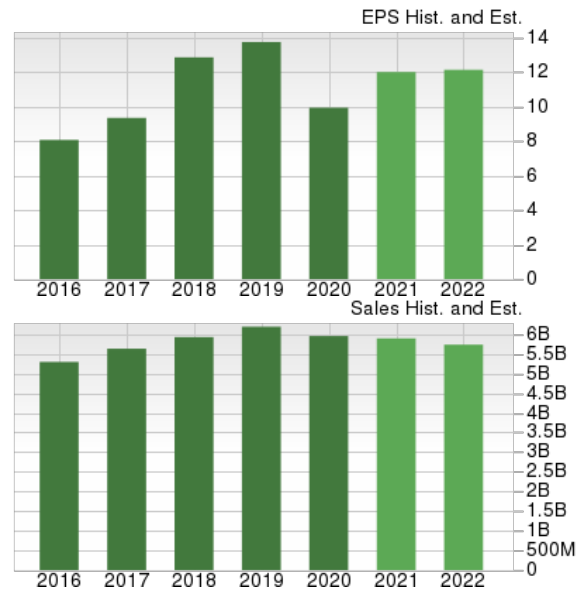
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 03/22/2021. The report's text and the analyst-provided price target are as of 03/23/2021.

Overview

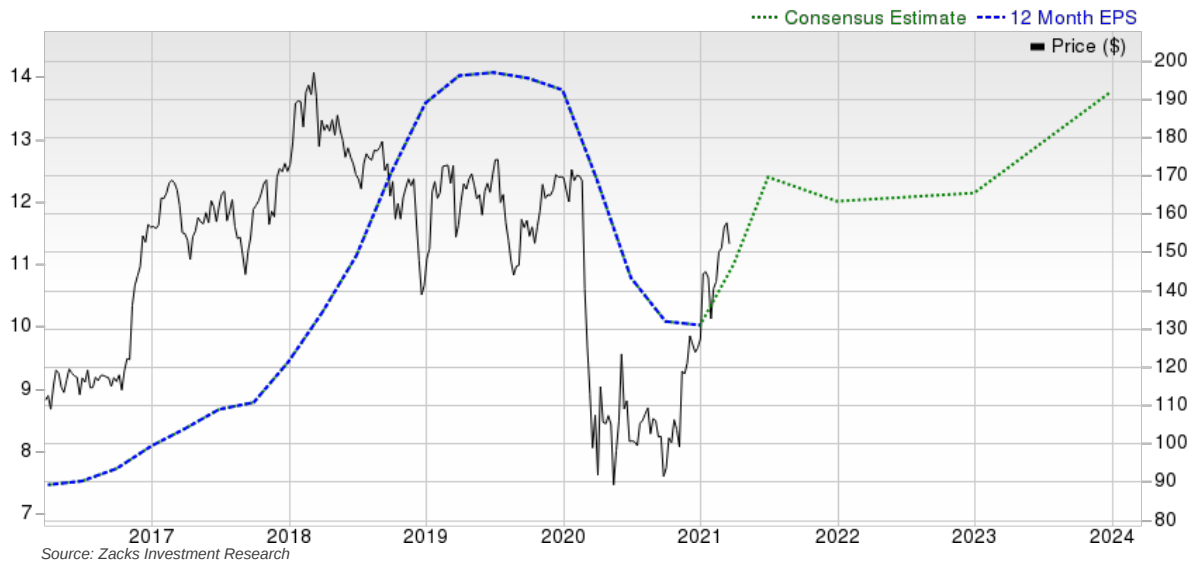
Headquartered in Buffalo, N.Y. and founded in 1969, M&T Bank Corporation is the holding company for M&T Bank and Wilmington Trust, National Association. The company operates in New York, Maryland, Pennsylvania, Delaware, New Jersey, Virginia, West Virginia and the D.C. through following segments:

- The *Business Banking* segment provides various products and services including business loans and leases, credit cards, deposit products and financial services to small businesses and professionals.
- The *Commercial Banking* segment provides commercial lending and leasing, letters of credit, deposit products and cash management services to middle-market and large commercial customers.
- The *Commercial Real Estate* segment provides credit and deposit services to its customers.
- The *Discretionary Portfolio* segment includes investment and trading securities, residential mortgage loans and other assets; short-term and long-term borrowed funds; foreign exchange services; brokered certificates of deposit and interest rate swap agreements related thereto; and Cayman Islands office deposits.
- The *Residential Mortgage Banking* segment originates and services residential mortgage loans and sells substantially all of those loans in the secondary market to investors or to the Discretionary Portfolio segment.
- The *Retail Banking* segment offers various services to consumers through several delivery channels and certain deposit products through the delivery channels of Wilmington Trust, N.A. Credit services offered by the segment include consumer installment loans, automobile loans, home equity loans and lines of credit and credit cards.



The 'All Other' category reflects other activities of the company that are not directly attributable to the reported segments.

In November 2015, M&T Bank closed its merger with Hudson City Bancorp. The cash-and-stock deal was valued at \$5.3 billion.



Reasons To Buy:

- ▲ M&T Bank managed to register solid quarterly results even during the financial crisis. Since 2008, the company has recorded a consistent rise in its net interest income. Though NII declined in 2020 on lower interest rates, over the five years (2015-2019), it witnessed a compound annual growth rate (CAGR) of 9.8%. M&T Bank operates as a solid and sustainable regional bank franchise with a footprint that spans seven Mid-Atlantic States as well as D.C. Therefore, this should allow the company to continue generating a decent level of interest income in the upcoming quarters with decent lending.
- ▲ M&T Bank's non-interest income remained stable over the last few years, as growth in service charges on deposit accounts and trust income were negated by decline in mortgage banking revenues and brokerage services income, along with lower trading account and foreign exchange gains. Notably, the company witnessed 11% and 1% year-over-year growth in 2019 and 2020, respectively, with the revival in the mortgage market and improved trading environment. Therefore, continuation of such trend will likely aid top-line expansion in the quarters ahead.
- ▲ Given its robust liquidity position, M&T Bank is well positioned to grow via acquisitions. The growth has been reflected in the company's accomplishment of several major acquisitions in and out of the U.S in the last several years. The company, in February, announced an all stock deal worth \$7.6 billion to acquire People's United. Further, product and balance-sheet diversification, stemming from these acquisitions, will likely support the company's top line.
- ▲ M&T Bank is focused on acquiring the industry's best deposit franchise. Deposits recorded a five-year CAGR of 5.8% (2016-2020), with some annual volatility. Further, the company has witnessed decent loan growth in the past few years, witnessing a five-year CAGR of 1.9% in 2020, with some annual volatility. We anticipate loan and deposit growth in the upcoming quarters catering customers' liquidity needs amid coronavirus woes.
- ▲ As of Dec 31, 2020, the company had debt level of \$4.4 billion, which has been decreasing for the past few quarters. As of the same date, cash and equivalents were \$26.3 billion, witnessing a rising trend. Therefore, the company seems to be well positioned in terms of its liquidity profile and hence is likely to be able to continue meeting debt obligations in the near term if the economic situation worsens.
- ▲ M&T Bank's capital deployment activities remain impressive. The company had increased its quarterly dividend by 10% in November 2019. Also, it had a share-repurchase program in place, which was suspended mid-March following the coronavirus crisis. Following the second round of stress test results by the Fed, M&T Bank's board of directors authorized a stock repurchase program of up to \$800 million of shares of common stock. Moreover, M&T Bank's favorable debt/equity ratio when compared to the broader industry along with consistent performance indicates that these dividend hikes are sustainable. We believe steady capital deployment activities will continue to inspire investors' confidence in the stock.
- ▲ Shares of M&T Bank have underperformed the industry over the past six months. Yet, the company's earnings estimates for 2021 have been revised 12.5% upward over the past 60 days. Also the stock seems undervalued when compared with the broader industry. Its current price-to-cash flow and price-to-book ratios are below the respective industry averages. Therefore, given the robust fundamentals and positive estimate revisions, the stock has upside potential.

Organic growth aided by rising loans and deposits along with inorganic growth strategies will bolster M&T Bank's revenue. Also, rising net interest and non-interest income are positive factors.

Reasons To Sell:

- ▼ With continuously rising non-interest operating expenses, M&T Bank is exposed to operational risks. Though expenses decreased in 2020, the same witnessed a CAGR of 5.3% over the five years (2015-2019). Further, given the ongoing investments in several areas including operational infrastructure and technology, we expect the company's expense base to remain under pressure. Escalating costs limit operational efficiency and remain a hindrance for the bottom line.
- ▼ Deteriorating credit metrics remain a headwind for the company. Provision for credit losses increased significantly over the last years (2018-2020). Notably, in the first half of 2020, provisions rose significantly due to the adoption of a new accounting method and the coronavirus-related crisis. Further, non-performing assets also disappointed with a five-year CAGR of 24% in 2020. Therefore, continuation of such trend will likely to continue to impact bottom-line expansion in the coming period.
- ▼ M&T Bank has substantial exposure to commercial and real estate construction loans. As of Dec 31, 2020, the company's exposure to the loan portfolio was approximately 66% of the total loans. Such high exposure to commercial loans depicts lack of diversification which can be risky for the company amid challenging economy and competitive markets.

Mounting expenses are expected to continue hurting M&T Bank's bottom line growth. Furthermore, significant exposure to commercial real estate loans and poor credit quality are other concerns.

Last Earnings Report

M&T Bank Q4 Earnings Beat Estimates, Fee Income Escalates

M&T Bank reported fourth-quarter 2020 earnings surprise of 19.6% on higher fee income. Net operating earnings per share of \$3.54 beat the Zacks Consensus Estimate of \$2.96. The bottom line, however, compares unfavorably with the \$3.62 per share reported in the year-ago quarter.

Mortgage banking revenues drove fee income, supporting results. Moreover, rise in loan and deposit balances highlights a solid capital position. Nevertheless, net interest income disappointed on lower rates and margin pressure prevailed. Further, rise in provisions and expenses were undermining factors.

Net income (on GAAP basis) for the quarter was \$471 million or \$3.52 per share compared with the \$493 million or \$3.60 per share recorded in the prior year.

For full-year 2020, M&T Bank reported net income of \$1.35 billion or \$9.94 per share compared with the \$1.93 billion or \$13.75 in the previous year.

Revenues Up, Loans Rise, Expenses Escalate

For 2020, the company reported revenues of \$5.97 billion, outpacing the Zacks Consensus Estimate of \$5.88 billion. Yet, revenues were down 4% year over year.

M&T Bank's quarterly revenues totaled \$1.54 billion, slightly up from the year-ago quarter. Also, the revenue figure surpassed the consensus mark of \$1.46 billion.

Taxable-equivalent net interest income declined 2% year on year to \$993 million in the quarter. This fall stemmed from lower net interest margin, partially offset by higher average earning assets (up 19%). Net interest margin contracted 64 basis points (bps) to 3.00%.

The company's non-interest income was \$551 million, up 6% year over year. Higher mortgage banking revenues, brokerage services income and other income primarily resulted in this upsurge. These were partly negated by lower service charges on deposit accounts, along with reduced trading account and foreign-exchange gains.

Non-interest expenses totaled \$845 million, up 3% from the prior-year quarter. Excluding certain non-operating items, non-interest operating expenses were \$842 million, up 2.8% year on year. This upsurge mainly stemmed from higher salaries and employee benefits, changes in the valuation allowance for capitalized residential mortgage servicing rights and planned transition charges to support M&T Bank's retail brokerage and advisory business to the platform of LPL Financial. These were partly offset by lower professional and outside services, advertising and marketing, and travel and entertainment costs.

Efficiency ratio was 54.6%, up from the 53.1% recorded in the prior-year quarter. A higher ratio indicates a fall in profitability.

Loans and leases, net of unearned discount, were \$98.5 billion at the end of the reported quarter, marginally up from the prior quarter. Also, total deposits rose 4% to \$119.8 billion.

M&T Bank's net operating income displays an annualized rate of return on average tangible assets and average tangible common shareholder equity of 1.35% and 17.53%, respectively, compared with the 1.67% and 19.08% recorded in the prior-year quarter.

Credit Quality: A Concern

For M&T Bank, credit metrics deteriorated during the October-December period. Provision for credit losses flared up 39% on a-over-year basis to \$75 million. Net charge-offs of loans more than doubled on a year-over-year basis to \$97 million.

The ratio of non-accrual loans to total net loans was 1.92%, up 86 bps year over year. Non-performing assets surged 84% to \$1.9 billion.

Capital Position

M&T Bank's estimated Common Equity Tier 1 to risk-weighted assets under regulatory capital rules were 10%, up from the year-earlier quarter's 9.73%. Tangible equity per share was \$80.52, up 6.7% year over year from \$75.44 as of Dec 31, 2019.

Outlook

PPP loans on the balance sheet amounted to \$5.4 billion at the end of 2020. Management expects substantially all of those loans will be repaid or forgiven in 2021, with the bulk of that occurring in the first half of the year, which will be beneficial to net interest income and net interest margin in the coming quarters. Notably, the bank has begun accepting customer applications for PPP round 2. Therefore, these new loans are likely to offset the decline in the original PPP balances to a certain extent.

Management projects total loans to be relatively flat in 2021. Commercial and industrial loans, excluding PPP, are expected to be flat to up slightly as increased economic activity leads to higher line utilization. Commercial real estate loans are expected to be flat to slightly down with a subdued outlook for new originations and slowing draws on pre-pandemic loans. Consumer loans are estimated to grow at a mid-single digit pace.

Quarter Ending 12/2020

Report Date	Jan 21, 2021
Sales Surprise	5.38%
EPS Surprise	19.59%
Quarterly EPS	3.54
Annual EPS (TTM)	10.02

Low- to mid-single-digit year-over-year decline in net interest income is anticipated, primarily due to the challenging year-over-year rate environment.

Low single-digit year-over-year growth is anticipated in non-interest revenues, similar to 2020. Management believes the strong originations trends in mortgage banking will continue, but with prevalent pressures on gain on sale margins.

Trust income should be flattish with the full-year impact of money fund fee waivers, offset by growth in other categories. This also assumes some growth in assets managed, combined with some stability in market values. Service charges are likely to reflect the run rate in the fourth quarter and to improve on a full year-over-year basis.

Based on the expectations for growth in some fee revenue categories, primarily mortgage banking revenues and trust income, management expects expenses tied directly to those businesses will grow as well. Outside of those increases, all other expense categories in the aggregate are estimated to be generally flat with the prior year. Overall, expenses are projected to be flat to up less than 1%.

Per management, the trend in credit provisioning will reflect improvement, in line with the macroeconomic outlook. Charge-offs, given the nature of the portfolio and the sectors most impacted by the pandemic, will be lumpy and likely take longer to emerge. Therefore, it anticipates charge-offs to be higher in 2021 and to be likely higher than long-term average.

Given the uncertainty, management focuses on credit outlook in the near term. For the first quarter of 2021, currently charge-offs higher than what was recorded in fourth-quarter 2020 is not expected.

Recent News

M&T Bank Strikes Deal Worth of \$7.6B With People's United - Feb 22, 2021

M&T Bank has agreed to acquire People's United in an all-stock merger deal worth \$7.6 billion. The transaction is expected to close in the fourth quarter of 2021, subject to necessary approvals.

Post the deal completion, the combined company will have about \$200 billion in assets and a network of more than 1,100 branches and more than 2,000 ATMs spread across 12 states from Maine to Virginia and the District of Columbia.

Since the announcement, shares of both M&T Bank and People's United have been moving north.

Deal Details

Per the agreed terms, People's United shareholders are entitled to receive 0.118 of a share of M&T Bank common stock for each People's United share they own. Thus, People's United shareholders will own nearly 28% of the combined company.

Also, People's United's current headquarters in Bridgeport, CT, will become the New England regional headquarters for M&T Bank.

René Jones, Chairman and CEO of M&T Bank, will continue to serve as Chairman and CEO of the combined company. Jack Barnes, Kirk Walters and three other current members of the board of directors of People's United will join M&T Bank's board of directors.

Benefits of Deal

M&T Bank expects the deal to be instantly accretive to its tangible book value per share. Also, the merger will result in M&T Bank's earnings accretion of 10-12% in 2023, suggesting estimated annual cost synergies of \$330 million.

Notably, the merger will create a diversified, community-focused banking franchise in the Northeast and Mid-Atlantic regions. Also, a complementary top-tier deposit share in core markets is another positive factor. Moreover, footprint spread across an economically diverse region, which accounts for more than 20% of the U.S. population and more than 25% of U.S. GDP, is expected to bode well for the combined company's long-term growth prospects.

M&T Bank Ratings Affirmed by Moody's, Outlook Stable - Feb 11, 2021

M&T Bank and its subsidiaries' long-term debt and deposit ratings, and assessments have been affirmed by Moody's Investors Service. Baseline credit assessment (BCA) of the company's lead bank subsidiary — Manufacturers and Traders Trust Company — has been reiterated as a2. Also, the outlook has been left unchanged at stable.

Per the rating agency, M&T Bank's ratings reflect strong credit quality backed by consistent and conservative underwriting, which partially offsets the risk of high exposure to commercial real estate (CRE) lending. Also, the company's ability to keep net-charge offs at lower level, even during tough economic conditions, is commendable.

Despite the pandemic-related mayhem, M&T Bank was successful in keeping net charge-offs and problem loans low in 2020. Per Moody's, the company's strong pre-provision profitability also provides the ability to absorb additional provision expenses.

M&T Bank's ability to consistently grow earnings is encouraging. Its diversified regional consumer and commercial banking businesses aid earnings, as it delivers a high net interest margin that supports top line, decent fee income and a strong operating efficiency.

The affirmation of M&T's standalone bank-level BCA and ratings reflects the bank's strong asset quality and profitability record and robust deposit funding, partly offset by its weaker capitalization relative to peers.

Notably, M&T Bank's strong liquidity profile is a major factor for ratings affirmation. Moody's expects some of the company's deposit and liquid asset growth, experienced in 2020, to reverse when excess market liquidity diminishes. Despite this, M&T is expected to maintain a strong core funded liquidity profile.

The stable outlook reflects Moody's view that capitalization, profitability and liquidity metrics will remain decent over the near term, though some deterioration of asset quality metrics is expected.

When can the Ratings be Upgraded?

M&T's standalone bank-level BCA might be upgraded if the bank is able to reduce its large CRE exposure or increase capitalization. A higher BCA would likely lead to a rating upgrade.

What Could Result in Downward Rating Pressure?

Downgrade of M&T's standalone bank-level BCA could occur if its capitalization, as measured by Moody's TCE ratio, falls below 9%, or if Moody's perceives that asset quality performance has weakened relative to peers. A sustained increase in market funding or decline in liquid assets would also be negative for BCA. A lower BCA would likely lead to a rating downgrade.

Dividend Update

On Feb 17, M&T Bank declared a quarterly cash dividend of \$1.10 per share on its common stock. The dividend will be paid on Mar 31 to

shareholders of record at the close of business on Mar 1.

Valuation

M&T Bank's shares are up 65.9% in the six months period and 51.3% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 66.1% and 36.3% in the past six months, respectively. Over the past year, the Zacks sub-industry and sector are up 74.1% and 61.9%, respectively.

The S&P 500 Index is up 21.4% and 61.7% in the six months period and trailing 12-month period, respectively.

The stock is currently trading at 12.42X forward 12 months earnings, which compares to 13.72X for the Zacks sub-industry, 17.13X for the Zacks sector and 22.16X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 19.86X and as low as 6.53X, with a 5-year median of 12.86X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$157 price target reflects 13.05X forward earnings.

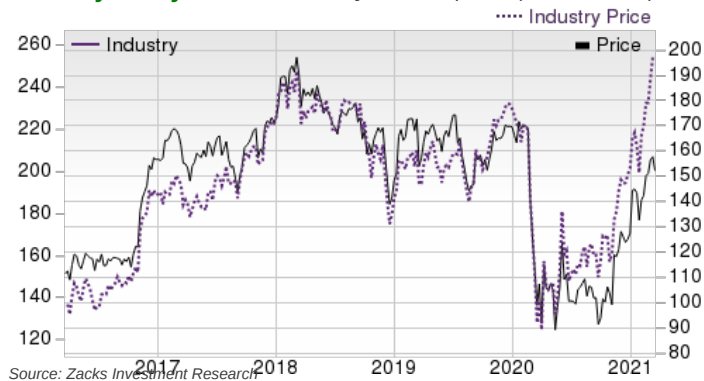
The table below shows summary valuation data for MTB

Valuation Multiples - MTB					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.42	13.72	17.13	22.16
	5-Year High	19.86	14.2	17.13	23.8
	5-Year Low	6.53	8.01	11.6	15.3
	5-Year Median	12.86	11.63	14.58	17.9
P/TB TTM	Current	1.86	2.22	3.56	16.63
	5-Year High	2.86	2.68	4.05	16.89
	5-Year Low	1.15	1.21	2.05	8.07
	5-Year Median	2.27	2.12	3.54	11.18
P/S F12M	Current	3.28	4.27	7.6	4.52
	5-Year High	5.04	4.59	7.6	4.52
	5-Year Low	1.93	2.39	5.02	3.21
	5-Year Median	3.67	3.6	6.13	3.69

As of 03/22/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 42% (107 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Commerce Bancshares, Inc. (CBSH)	Neutral	3
Comerica Incorporated (CMA)	Neutral	3
Fifth Third Bancorp (FITB)	Neutral	3
Huntington Bancshares Incorporated (HBAN)	Neutral	3
KeyCorp (KEY)	Neutral	3
Regions Financial Corporation (RF)	Neutral	3
SVB Financial Group (SIVB)	Neutral	3
U.S. Bancorp (USB)	Neutral	3

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

Industry Comparison Industry: Banks - Major Regional				Industry Peers		
	MTB	X Industry	S&P 500	CMA	FITB	HBAN
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	D	-	-	F	C	C
Market Cap	19.22 B	39.65 B	28.72 B	9.47 B	26.47 B	16.09 B
# of Analysts	8	9	13	12	12	7
Dividend Yield	2.94%	2.81%	1.39%	4.01%	2.90%	3.81%
Value Score	C	-	-	D	B	B
Cash/Price	1.34	1.65	0.06	1.65	1.36	0.41
EV/EBITDA	-0.65	-0.65	15.94	-0.44	2.34	12.69
PEG F1	1.64	1.98	2.35	NA	1.54	3.29
P/B	1.28	1.26	3.89	1.23	1.26	1.48
P/CF	11.38	12.30	15.85	15.81	12.30	13.52
P/E F1	12.34	13.55	21.46	12.90	12.70	12.28
P/S TTM	3.06	3.15	3.28	3.06	3.15	3.07
Earnings Yield	8.04%	7.38%	4.58%	7.75%	7.87%	8.13%
Debt/Equity	0.29	0.75	0.67	0.75	0.71	0.77
Cash Flow (\$/share)	13.13	5.24	6.78	4.29	3.03	1.16
Growth Score	D	-	-	F	F	F
Historical EPS Growth (3-5 Years)	11.83%	7.45%	9.32%	14.81%	7.45%	1.61%
Projected EPS Growth (F1/F0)	20.78%	36.13%	14.75%	60.98%	35.69%	85.71%
Current Cash Flow Growth	-24.48%	-27.77%	0.61%	-54.18%	-16.46%	-34.11%
Historical Cash Flow Growth (3-5 Years)	6.06%	3.10%	7.32%	-1.99%	3.10%	2.11%
Current Ratio	1.06	0.85	1.39	0.98	0.91	0.89
Debt/Capital	21.30%	41.57%	41.42%	41.57%	39.32%	39.13%
Net Margin	21.54%	19.09%	10.59%	15.32%	16.97%	15.60%
Return on Equity	9.24%	8.09%	14.75%	6.33%	8.06%	7.65%
Sales/Assets	0.05	0.04	0.51	0.04	0.04	0.04
Projected Sales Growth (F1/F0)	-1.00%	-1.14%	7.15%	-1.78%	-0.58%	23.96%
Momentum Score	C	-	-	B	A	A
Daily Price Change	-1.74%	-2.31%	0.23%	-2.12%	-2.85%	-1.50%
1-Week Price Change	-3.48%	-2.00%	-0.30%	-2.46%	-2.00%	-4.31%
4-Week Price Change	-3.77%	3.38%	3.47%	-0.38%	6.71%	1.09%
12-Week Price Change	18.87%	20.45%	8.23%	20.78%	35.20%	26.32%
52-Week Price Change	69.60%	103.33%	87.53%	148.28%	206.09%	124.86%
20-Day Average Volume (Shares)	1,101,718	6,824,008	2,475,557	1,697,474	9,064,222	12,567,449
EPS F1 Estimate 1-Week Change	0.02%	0.00%	0.00%	0.00%	0.43%	0.00%
EPS F1 Estimate 4-Week Change	-0.95%	0.45%	0.00%	-0.03%	2.06%	0.50%
EPS F1 Estimate 12-Week Change	17.36%	15.89%	2.10%	31.50%	25.33%	8.39%
EPS Q1 Estimate Monthly Change	-2.01%	0.33%	0.00%	0.07%	2.50%	0.61%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

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

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

Disclosures

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

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

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

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

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

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.