M&T Bank Corporation (MTB)

$90.06 (As of 09/24/20)

Price Target (6-12 Months): **$95.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 06/01/20) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:C
	Value: C | Growth: F | Momentum: A	

Summary

Shares of M&T Bank have underperformed the industry over the past three months. The company has a decent earnings surprise history, having surpassed the Zacks Consensus Estimate in two of the trailing four quarters. The company's product and balance-sheet diversification efforts, with support from strong capital position, seem impressive. Revival of mortgage banking revenues, on account of lower rates, is likely to aid bottom-line growth. Further, increasing loans and deposits balance will support revenue growth. Also, the company is exposed to less credit risk in case of any economic downturn. However, persistently rising expenses on account of upgrades in infrastructure and technology might deter bottom-line expansion. Also, significant exposure to commercial real estate loans and deterioration of credit quality are headwinds.

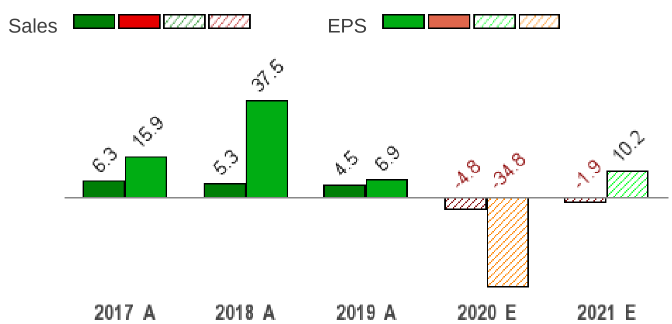
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$174.00 - $85.09**
20-Day Average Volume (Shares)	**877,036**
Market Cap	**$11.6 B**
Year-To-Date Price Change	**-47.0%**
Beta	**1.15**
Dividend / Dividend Yield	**$4.40 / 4.9%**
Industry	**Banks - Major Regional**
Zacks Industry Rank	**Bottom 18% (204 out of 250)**
Last EPS Surprise	**-7.9%**
Last Sales Surprise	**-2.0%**
EPS F1 Estimate 4-Week Change	**0.1%**
Expected Report Date	**10/22/2020**
Earnings ESP	**10.4%**
P/E TTM	**8.4**
P/E F1	**10.1**
PEG F1	**1.3**
P/S TTM	**1.7**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,484 E	1,467 E	1,488 E	1,480 E	5,785 E
2020	1,506 A	1,444 A	1,472 E	1,476 E	5,895 E
2019	1,551 A	1,554 A	1,558 A	1,530 A	6,192 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$2.30 E	$2.40 E	$2.71 E	$2.81 E	$9.87 E
2020	$1.95 A	$1.76 A	$2.59 E	$2.67 E	$8.96 E
2019	$3.38 A	$3.34 A	$3.47 A	$3.60 A	$13.75 A

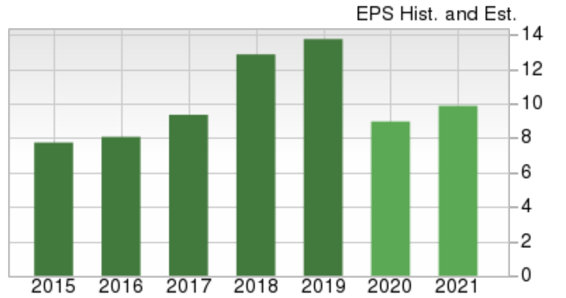
*Quarterly figures may not add up to annual.

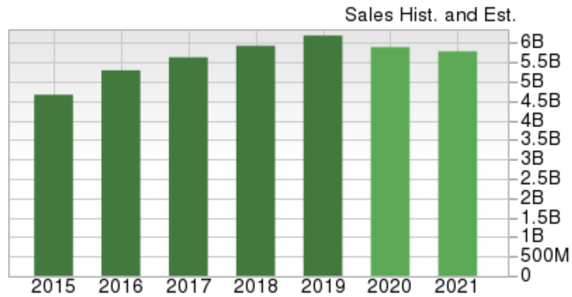
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/24/2020. The reports text is as of 09/25/2020.

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.

Source: Zacks Investment Research

Reasons To Buy:

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.

- 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 the first half of 2020 on lower interest rates, over the last five years (ended 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.

- 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 slight year-over-year growth in 2019 and the first half of 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. 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 1% (2015-2019), with some annual volatility. Further, the company has witnessed decent loan growth in the past few years, witnessing a five-year CAGR of 1% in 2019, with some annual volatility, mainly supported by rise in consumer loans. Both metrics continued to increase in the first half of 2020. We expect loan and deposit growth in the upcoming quarters catering customers' liquidity needs amid coronavirus woes.

- As of Jun 30, 2020, the company holds a debt level of $6.4 billion and debt-capital ratio of 0.28X, which have been decreasing over the past few quarters. Therefore, with a rising time-interest-earned ratio of 11.6X over the past few quarters and a record of consistent earnings, M&T Bank carries low credit risk, and has a lesser likelihood of default of interest and debt repayments 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, that was suspended mid-March following the coronavirus crisis. Notably, following the announcement of 2020 stress test results, the company will be maintaining the dividend level as before and keep share repurchases suspended in the third quarter of 2020 as well. 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. Despite this unfavorable trend, the company's earnings estimates for 2020 have been revised slightly upward over the past 30 days. Therefore, given the progress on fundamentals and positive estimate revisions, the stock has upside potential.

Reasons To Sell:

> Consistently rising cost base due to investment in infrastructure and technology is a concern. Additionally, exposure to commercial real estate loans and deteriorating credit metrics are headwinds.

- With continuously rising non-interest operating expenses, M&T Bank is exposed to operational risks. Though expenses decreased in the first six months of 2020, the same witnessed a CAGR of 5.3% over the last 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 recorded a five-year CAGR of 1% in 2019, with some annual volatility. 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 1.3% in 2019, with the rising trend continuing in the first half of 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 Jun 30, 2020, the company's exposure to the loan portfolio was approximately 59% 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.

- The stock seems overvalued when compared with the broader industry. Its current price-to-book and price-to-sales ratios are above the respective industry averages.

Last Earnings Report

M&T Bank Q2 Earnings Miss Estimates on Lower Revenues

Quarter Ending	06/2020
Report Date	Jul 23, 2020
Sales Surprise	-2.02%
EPS Surprise	-7.85%
Quarterly EPS	1.76
Annual EPS (TTM)	10.78

M&T Bank has reported second-quarter 2020 negative earnings surprise of 7.9% on higher provisions. Net operating earnings per share of $1.76 missed the Zacks Consensus Estimate of $1.91. The bottom line also compares unfavorably with the $3.37 per share reported in the year-ago quarter.

The company's results were impacted by a substantial rise in provisions related to the adoption of the accounting method of Current Expected Credit Losses and the coronavirus crisis. Moreover, revenues disappointed on lower rates and decline in fee income. However, prudent expense management was visible. Moreover, rise in loan and deposit balances highlights a strong capital position.

Net income (on GAAP basis) for the quarter was $241 million or $1.74 per share compared with the $473 million or $3.34 per share recorded a year ago.

Revenues Decline, Loans Rise, Expenses Down

M&T Bank's revenues were $1.45 billion, down 7.1% from the year-ago quarter. Also, it lagged the consensus estimate of $1.47 billion. Taxable-equivalent net interest income declined 8% year over year to $961 million in the quarter. This fall stemmed from lower net interest margin, partially offset by higher average earning assets (up 15%). Net interest margin contracted 78 basis points (bps) to 3.13%.

The company's non-interest income was $487 million, down 5% year over year. Lower service charges on deposit accounts, brokerage services income, trading account and foreign exchange gains, along with other non-interest income, primarily resulted in this decline. These were partly offset by higher trust income and mortgage banking revenues.

Non-interest expenses totaled $807 million, down 8% from the prior-year quarter. Excluding certain non-operating items, non-interest operating expenses were $803 million, down 7.5% year over year. This decline mainly stemmed from lower advertising and marketing costs, reduced amortization of core deposit and other intangible assets, along with other costs.

Efficiency ratio was 55.7%, down from the 56% recorded in the prior-year quarter. A lower ratio indicates a rise in profitability.

Loans and leases, net of unearned discount, were $97.8 billion at the end of the reported quarter, up 3.9% from the prior quarter. Also, total deposits rose 14.8% to $115 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 0.74% and 9.04%, respectively, compared with the 1.68% and 18.83% recorded in the prior-year quarter.

Deteriorating Credit Quality

For M&T Bank, credit metrics deteriorated during the second quarter. Provision for credit losses rose significantly on a year-over-year basis to $325 million. Also, net charge-offs of loans were $71 million, up 61.4%.

The ratio of non-accrual loans to total net loans was 1.18%, up 22 bps year over year. Non-performing assets increased 30% to $1.22 billion.

Capital Position

M&T Bank's estimated Common Equity Tier 1 to risk-weighted assets under regulatory capital rules were 9.51%. Tangible equity per share was $78.62, up 7.3% year over year from $73.29 as of Jun 30, 2019.

Outlook for 2020

Management expects average LIBOR in the third quarter to fall a little further along with deposit rates. Given all factors, the margin is likely to improve slightly.

Average PPP loans are likely to increase from the $4.8 billion average in the current quarter toward the $6.5 billion outstanding as of Jun 30.

Commercial loan growth, which is to say excluding PPP loans, has slowed, and management expects those balances to remain flat to slightly down over the remainder of 2020 compared with the level at the end of the second quarter. In a normal environment, a seasonal slowdown in inventories and a corresponding decline in floor plan loan balances during the third quarter are anticipated. Residential real estate loans are likely to keep witnessing a measured pace of runoff as the vast majority of loans are originated for sale.

Some improvement in growth of consumer loans is expected compared with the second quarter as recent indirect originations are on the balance sheet for a full quarter.

Outlook for net interest income is dependent on the eventual resolution of the PPP loans. While management expects net interest income to improve in the third quarter on a sequential basis, the rate of improvement is also heavily dependent on the pace of forgiveness or prepayments on the PPP loans.

Waivers of money market mutual fund management fees are likely to continue to impact trust income, while the zero-interest rate environment persists.

Management expects expenses in the second half of the year to be roughly the same as the first, excluding the first-quarter seasonal salaries and benefits.

Recent News

M&T Bank Announces Relationship With LPL Financial – Jul 29, 2020

M&T Bank announced that it has chosen LPL Financial, a leading retail investment advisory firm, independent broker-dealer, and registered investment advisor (RIA) custodian, to support the bank's retail brokerage and advisory business. M&T provides consumer and commercial services to clients in the Northeast and Mid-Atlantic, and currently provides a wide range of brokerage, advisory, and insurance solutions through its subsidiary, M&T Securities, Inc. The business is expected to transition to the LPL platform in the middle of 2021 and will operate under a new brand name.

"We are committed to providing the best service and financial guidance to our clients, as well as supporting growth opportunities for our advisors," said Matt McAfee, senior vice president, head of Affluent Wealth Markets. "Today, this requires ongoing investments in technology and infrastructure, alongside financial planning and investment solutions to help clients meet their long-term financial goals. After considerable consultation and assessment with clients, we decided that a long-term strategic partnership with a firm that has complementary capabilities to enhance our offerings was the best approach for our clients. LPL is able to offer superior technology at the scale and pace that will help us differentiate our services and deepen our relationships with clients."

This year, LPL has committed $160 million to investments in technology, and the firm has grown its investment year over year. Clients will benefit from access to innovative investment solutions and an enhanced digital service experience. LPL's comprehensive support to institutional clients also includes a high-touch service experience and consultative support. Advisors and staff will have access to LPL's award-winning technology platform, offering integrated workflows and customizable capabilities to help increase efficiency, provide a better user experience, and, ultimately, afford advisors more time to focus on client relationships.

LPL will provide an enhanced advisor and client experience through their front-end systems, inclusive of upgraded financial planning tools, eDelivery and eSign capabilities for most account documents, and easy-to-access statements and performance reports.

With the plan to align with LPL to support its retail brokerage and advisory business, M&T Securities, Inc. will continue to exist as an institutional broker-dealer under M&T Bank.

Dividend Update

On Aug 18, M&T Bank declared a quarterly cash dividend of $1.10 per share on its common stock. The dividend will be paid on Sep 30 to shareholders of record at the close of business on Sep 1.

Valuation

M&T Bank's shares are down 47% in the year-to-date period and 42.6% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 39.5% and 20.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 29.9% and 15.5%, respectively.

The S&P 500 Index is up 0.8% and 9.4% in the year-to-date period and trailing 12-month period, respectively.

The stock is currently trading at 9.35X forward 12 months earnings, which compares to 11.71X for the Zacks sub-industry, 15.32X for the Zacks sector and 21.31X 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 13.1X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $95 price target reflects 9.82X forward earnings.

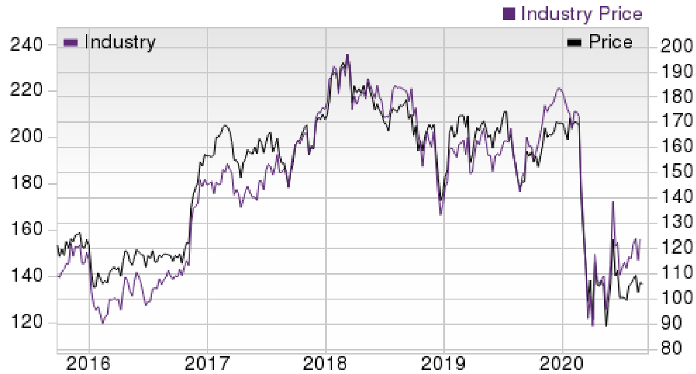
The table below shows summary valuation data for MTB

Valuation Multiples - MTB

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.35	11.71	15.32	21.31
	5-Year High	19.86	14.2	16.72	23.44
	5-Year Low	6.53	8.01	11.6	15.26
	5-Year Median	13.1	11.71	14.27	17.63
P/TB TTM	Current	1.15	1.39	3.16	14.66
	5-Year High	2.86	2.68	4	16.23
	5-Year Low	1.15	1.21	2.01	7.28
	5-Year Median	2.27	2.11	3.48	10.64
P/S F12M	Current	1.99	2.56	6.44	3.95
	5-Year High	5.04	4.59	6.67	4.29
	5-Year Low	1.93	2.39	4.97	3.11
	5-Year Median	3.67	3.59	6.07	3.66

As of 09/24/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 18% (204 out of 250)



Source: Zacks Investment Research

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

	MTB	X Industry	S&P 500	CMA	FITB	HBAN
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	F	B	C
Market Cap	11.55 B	29.36 B	22.77 B	5.07 B	13.97 B	8.82 B
# of Analysts	7	8	14	11	9	11
Dividend Yield	4.89%	4.45%	1.72%	7.46%	5.51%	6.92%
Value Score	C	-	-	D	B	B
Cash/Price	1.80	2.38	0.07	2.38	2.07	0.65
EV/EBITDA	-1.42	-1.42	12.78	-0.80	0.02	5.66
PEG F1	1.34	2.09	2.82	11.38	1.67	2.97
P/B	0.79	0.77	3.12	0.68	0.68	0.83
P/CF	5.33	5.71	12.37	4.04	5.39	4.98
P/E F1	10.08	13.11	20.56	19.58	13.80	14.60
P/S TTM	1.74	1.58	2.34	1.45	1.52	1.62
Earnings Yield	9.95%	7.62%	4.60%	5.10%	7.24%	6.81%
Debt/Equity	0.43	0.88	0.70	0.88	0.79	0.92
Cash Flow ($/share)	16.90	6.63	6.93	9.04	3.64	1.74
Growth Score	F	-	-	F	D	F
Historical EPS Growth (3-5 Years)	16.43%	10.96%	10.41%	25.58%	10.96%	8.14%
Projected EPS Growth (F1/F0)	-34.83%	-42.38%	-4.56%	-76.32%	-48.70%	-53.26%
Current Cash Flow Growth	5.45%	2.66%	5.26%	-4.61%	17.50%	-4.72%
Historical Cash Flow Growth (3-5 Years)	11.65%	9.49%	8.49%	12.59%	6.10%	12.14%
Current Ratio	1.07	0.89	1.35	1.02	0.90	0.92
Debt/Capital	28.39%	44.79%	42.92%	45.53%	42.23%	44.20%
Net Margin	22.36%	18.16%	10.25%	17.42%	16.55%	16.27%
Return on Equity	10.22%	8.52%	14.59%	8.22%	7.37%	8.35%
Sales/Assets	0.05	0.05	0.50	0.05	0.05	0.05
Projected Sales Growth (F1/F0)	-4.80%	-1.23%	-1.44%	-14.42%	-9.28%	1.87%
Momentum Score	A	-	-	A	A	A
Daily Price Change	-0.88%	0.11%	0.21%	0.11%	0.26%	-0.23%
1-Week Price Change	0.12%	0.91%	0.79%	2.60%	3.30%	0.10%
4-Week Price Change	-14.93%	-9.54%	-5.64%	-9.00%	-6.35%	-10.06%
12-Week Price Change	-10.47%	-2.61%	1.89%	3.43%	5.60%	0.81%
52-Week Price Change	-42.60%	-32.97%	-2.71%	-43.86%	-28.41%	-39.16%
20-Day Average Volume (Shares)	877,036	5,204,093	2,095,310	1,458,774	5,799,847	9,539,176
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.10%	0.10%	0.00%	1.89%	2.81%	0.77%
EPS F1 Estimate 12-Week Change	14.42%	12.15%	4.08%	48.79%	12.15%	38.06%
EPS Q1 Estimate Monthly Change	0.34%	0.34%	0.00%	4.86%	3.74%	1.50%

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	F
Momentum Score	A
VGM Score	C

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.

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 forwardlooking 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 mediumterm 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 mostrecent 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.