ZACKS | Our Research. Your Success.

Nov 24, 2020

Occidental Petroleum(OXY)

$15.76 (As of 11/23/20)

Price Target (6-12 Months): **$17.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 12/16/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**4-Sell**
	Zacks Style Scores:	VGM:D
	Value: C | Growth: D	Momentum: F

Summary

Occidental Petroleum is presently focused on maintaining production and lowering outstanding debts through the proceeds of non-core asset sales. To preserve liquidity, it has lowered capital expenditure and identified new ways of reducing expenses. Permian Basin exposure continues to boost total production volumes. The company, through systematic sell-off of some non-core assets, has already achieved the 2020 divestiture target and plans to divest more assets in first half of 2021. Shares of Occidental have outperformed the industry in the past month. However, it faces the risk of cost overruns and interruptions due to delays in drilling and approvals. High debt level amid declining commodity prices and cancellation of the African asset divestment deal will be a setback and can adversely impact its plans to lower debts.

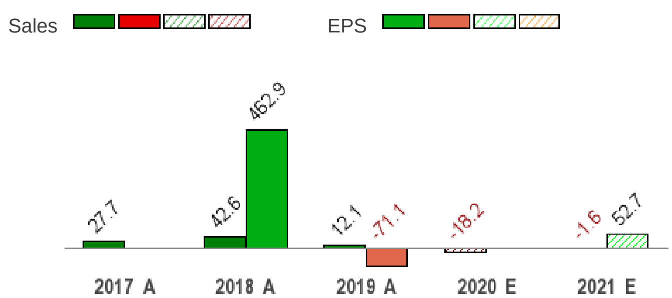
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$47.58 - $8.52**
20-Day Average Volume (Shares)	**27,272,732**
Market Cap	**$14.7 B**
Year-To-Date Price Change	**-61.8%**
Beta	**1.87**
Dividend / Dividend Yield	**$0.04 / 0.3%**
Industry	**Oil and Gas - Integrated - United States**
Zacks Industry Rank	**Bottom 7% (235 out of 254)**
Last EPS Surprise	**-20.0%**
Last Sales Surprise	**-23.1%**
EPS F1 Estimate 4-Week Change	**-4.7%**
Expected Report Date	**02/25/2021**
Earnings ESP	**-0.9%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**0.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	4,178 E	4,272 E	4,458 E	4,583 E	17,085 E
2020	6,451 A	2,976 A	3,283 A	4,238 E	17,358 E
2019	4,089 A	4,476 A	5,871 A	6,796 A	21,232 A

EPS Estimates

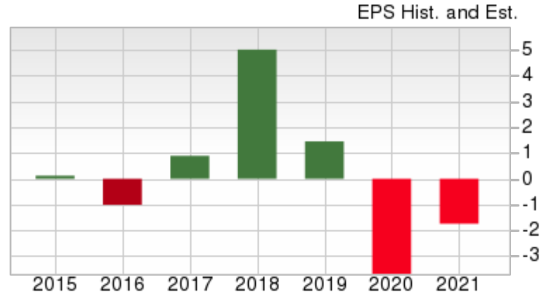
	Q1	Q2	Q3	Q4	Annual*
2021	-$0.53 E	-$0.49 E	-$0.37 E	-$0.30 E	-$1.74 E
2020	-$0.52 A	-$1.76 A	-$0.84 A	-$0.57 E	-$3.68 E
2019	$0.84 A	$0.97 A	$0.11 A	-$0.30 A	$1.45 A

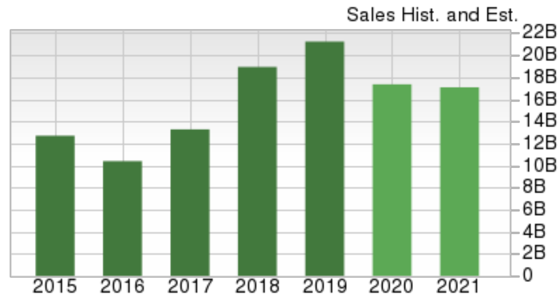
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 11/23/2020. The reports text is as of 11/24/2020.

Overview

Founded in 1920, Houston, TX-based Occidental Petroleum Corporation is an integrated oil and gas company, with significant exploration and production exposure. The company is also a producer of a variety of basic chemicals, petrochemicals, polymers and specialty chemicals. The company conducts its operations through three segments: Oil and Gas, Chemical, and Midstream and Marketing. At 2019-end, Occidental's preliminary worldwide proved reserves totaled 3.82 billion BOE compared with 2.7 billion BOE at the end of 2018. As of Dec 31, 2019, the company's proved reserves consisted of approximately 51.5% oil, 19.3% NGL and 29.2% gas.





Oil and Gas: This segment explores, develops, produces and markets crude oil, natural gas liquids (NGL), condensate and natural gas. The company has operations in the U.S. (Colorado, New Mexico, North Dakota and Texas) as well as international locations such as Colombia, Oman, Qatar and the United Arab Emirates (UAE). Revenues from the segment were $13,423 million in 2019.

Chemical: This segment works under the company's wholly-owned subsidiary, Occidental Chemical Corporation (OxyChem), having operations in 22 sites in the United States and at two international sites in Canada and Chile. It manufactures and markets polyvinyl chloride resins, chlorine and caustic soda. Revenues from the segment were $4,102 million in 2019.

Midstream and Marketing: This segment encompasses operations that gather, treat, process, transport, store, trade and market crude oil, natural gas, NGL, condensates and carbon dioxide. It also offers these services to third parties. Segment revenues in 2019 were $4,132 million.

Corporate and Eliminations is a secondary segment consisting of cash and restricted cash, certain corporate receivables and property, plant and equipment. Corporate and Eliminations lowered the segment's revenues by $1,264 million.

Occidental completed the acquisition of Anadarko Petroleum during the third quarter. As a result of the buyout, Occidental gained control over the operations of Western Midstream Partners, LP ("WES"), and net sales from WES is added with Midstream and Marketing.

Source: Zacks Investment Research

Reasons To Buy:

Investments to strengthen infrastructure, focus on the Permian region, divestiture of non-core assets, cost management and the Anadarko acquisition will boost its performance.

- Occidental Petroleum's continued focus on the Permian resources has been beneficial for the company. Permian production grew 7.7% year over year to 420,000 barrels of oil equivalent per day (boe/d) for the third quarter, courtesy of improved well performance and development activity. The company's core development area in the Permian region has been recording strong results. Production from this region is expected to improve further from the current levels, thanks to the new wells added in this region. Occidental's investment plans and production growth support the cash flow generation capacity of the company. In the past month, Occidental's shares have gained 66.6% compared with the industry's growth of 40.3%.

- Occidental's acquisition of Anadarko Petroleum has expanded its operation in the Permian Basin. The combined company will have a production capacity of 1.3 million boe/d and is expected to be accretive to free cash flow. The company is trying to make use of its organic assets in the best possible manner in this unprecedented economic crisis. The company has decided to shut non-economic production.

  For fourth-quarter 2020, its total production is expected in the range of 1,105,000-1,155,000 Boe/d and production volumes from Permian resources are projected within 360,000-380,000 Boe/d. At present, it is emphasizing on maintaining base production levels and navigating through the turbulent period caused by the pandemic. The company aims to bring 146-156 wells online in the Permian Basin during 2020.

- Occidental Petroleum has taken initiatives to safeguard its interest amid the falling commodity prices. The company has the ability to quickly reduce activity in this low price environment, while preserving the integrity of valuable assets. It also maintains flexibility so that it can ramp up production when the appropriate opportunity comes.Occidental, which is a low-cost operator and possesses high-quality assets in different locations across the globe, has a competitive advantage over peers. The company's strong domestic presence will lead to opportunities when the market conditions improve.

  The company has already completed non-core assets divestiture worth $2 billion in 2020, which will help it to fund growth projects and redeem debts. Occidental also plans to divest another $2-$3 billion in first-half 2021. The company prefers to wait for serious buyers who will ensure that Occidental will get the full value of its assets, rather than those that are willing to purchase the assets at a discount.

- Occidental Petroleum has been a consistent payer of dividend, thanks to its strong performance, driven by consistent growth in production and cash flow levels. The company has increased its dividend per share for the last 16 consecutive years. To preserve liquidity amid coronavirus-induced crisis, the board of directors decided to slash quarterly dividend by 86% to 11 cents from the present level of 79 cents. The company decided to reduce its quarterly dividend again, lowering the same to 1 cent from 11 cents. The decision to lower dividend twice will reduce the dividend outlay by nearly $2.8 billion annually. The company reduced 2020 capital expenditure by more 50% to $2.4-$2.6 billion. Year to date, it lowered outstanding debt by $1.3 billion.

  In addition, it achieved $1.1-billion overhead and operating expense synergy target one year ahead of schedule, as well as achieved $1.2 billion in additional cost savings in 2020. All these measures will boost the company's liquidity. It expects more than two-thirds of the additional operating cost savings to be permanent, even when it returns to normalized activity levels. Third-quarter total operating expenses were $6.04 per BOE, down 33.7% year over year due to extensive cost management and strong production.

Reasons To Sell:

- The company exited the third quarter with a long-term debt of $35,899 million, down from $38,537 million at 2019-end. Occidental is trying to lower debts from the balance sheet but its debt to capital currently stands at 64.38%, quite high in comparison with the industry average of 27.5%. In the 2021-2022 time period, the company will have to repay debt worth $11.1 billion. However, the current commodity price scenario, declining demand trends and the termination of its deal with TOTAL will likely aggravate problems and can cause difficulty in the accumulation of the necessary funds to repay debts that are due in the next couple of years.

  At third quarter-end, the company's cash and cash equivalents were $1,896 million compared with the current debt of $2,558 million. The times interest earned ratio of Occidental at third quarter-end was (9.6), down substantially from 1.2 at the end of fourth-quarter 2019. The negative ratio clearly indicates that the company will find it difficult to fulfill debt obligations in the near term.

A competitive environment, fluctuating commodity prices, rising debt levels, risk of stringent federal, state, local and foreign laws, as well as strict regulations are headwinds for the company.

- Warren Buffett's Berkshire Hathaway's decision to invest $10 billion in Occidental, in a bid to aid the latter to acquire Anadarko will substantially increase the debt level of Occidental. In addition, Berkshire Hathaway will receive 100,000 preferred shares that will accrue dividends at 8% annually. This is at a substantial premium compared with the current rate and therefore will further increase capital servicing costs of Occidental. The deal was formulated in such a manner that avoided the need of its shareholders' vote for approval. The loan taken by Occidental to fund the Anadarko acquisition substantially increased its long-term debt.

- Occidental Petroleum's businesses operate in a highly competitive environment, which could adversely affect its profitability and growth. The company faces intense competition from other oil and gas companies, which include state-owned foreign oil companies, major integrated oil companies and independent producers of oil and natural gas. In addition, the oil industry competes with other industries in meeting global energy requirements.

  Fluctuations in demand and prices of commodities may affect Occidental's results of operations. The company's practice is to remain exposed to market prices of commodities. If the price of commodities continues to remain soft, it will fail to realize full benefits from the improvement in production volumes from domestic and international assets.

- Like other oil and natural gas companies, Occidental Petroleum faces cost overruns and development interruptions due to delays in drilling and other approvals, property or border disputes, and equipment failures. These factors may impact the company's production growth and targeted returns. Exploration is inherently risky and is subject to delays due to unexpected geological conditions or finding reserves of lower-than-expected quality or quantity, which may result in significant losses.

  Occidental's operations are subject to stringent federal, state, local and foreign laws and regulations related to improving or maintaining environmental quality. The company's compliance costs have generally increased over time and are expected to increase further in the future.

Last Earnings Report

Occidental Posts Wider-Than-Expected Q3 Loss, Cuts Debt

Quarter Ending	09/2020
Report Date	**Nov 09, 2020**
Sales Surprise	**-23.05%**
EPS Surprise	**-20.00%**
Quarterly EPS	**-0.84**
Annual EPS (TTM)	**-3.42**

Occidental Petroleum Corporation reported third-quarter 2020 loss of 84 cents per share, wider than the Zacks Consensus Estimate of a loss of 70 cents. The company recorded earnings of 11 cents per share in the prior-year quarter.

Total Revenues

Occidental's total revenues were $3,283 million, which lagged the Zacks Consensus Estimate of $4,266 million by 23%. The top line also decreased 44.1 from the year-ago quarter. The year-over-year decline was due to lower contribution from all segments.

Segment Details

Oil and Gas revenues for the quarter were $2,989 million, down 25.1% year over year.

Chemical revenues for the quarter were $937 million, down 12.5% year over year.

Midstream & Marketing revenues for the quarter were $364 million, down 68.7% year over year.

Production & Sales

Occidental's total production volume for the third quarter was 1,237 thousand barrels of oil equivalent per day (Mboe/d), which exceeded the midpoint of the guidance by 12 Mboe/d. The strong production volumes were attributed to higher volumes from the Permian Resources region. Permian Resources production for the third quarter was 420 Mboe/d, which was up 7.7% year over year and exceeded the higher end of the guided range of 392-408 Mboe/d.

For the quarter under review, total sales volume was 1,228 Mboe/d, up 10.2% from 1,114 Mboe/d recorded in the year-ago period.

Realized Prices

Third-quarter realized prices for crude oil decreased 31.5% year over year to $38.67 per barrel on a worldwide basis. Worldwide realized natural gas liquids (NGL) prices decreased 1.1% from the prior-year quarter to $14.85 per barrel. Worldwide natural gas prices decreased 5.1% from the year-ago quarter to $1.31 per thousand cubic feet.

Highlights of the Release

Occidental, similar to other oil and gas companies, was adversely impacted by a steep decline in oil prices. Crude oil hedges provided some support to the company amid falling commodity prices.

It is aggressively managing cost and implementing ways to lower expenditure. Courtesy of cost management and strong production, domestic operating expenses for the third quarter were $5.38 per boe compared with $8.45 registered in the year-ago quarter.

The company exceeded the $2-billion non-core asset divestiture target for 2020, which will assist it to lower debt level. Occidental has reduced outstanding debt by $1.3 billion year to date.

Interest expenses for the reported quarter were $353 million compared with $360 million in the year-ago period. The decline was due to a reduction of outstanding debts of the company.

Financial Position

As of Sep 30, 2020, Occidental had cash and cash equivalents of $1,896 million compared with $4,840 million in the corresponding period of 2019.

As of Sep 30, 2020, the company had a long-term debt (net of current portion) of $35,899 million compared with $47,583 million on Dec 31, 2019. The decrease in debt level was due to effective management of debt since the acquisition of Anadarko.

For third-quarter 2020, cash from operations was $815 million, down from $1,863 million in the prior-year period. For third-quarter 2020, Occidental's total capital expenditure was $246 million compared with $1,717 million invested in the year-ago period.

Guidance

Occidental expects fourth-quarter production in the range of 1,105-1,155 Mboe/d and Permian Resource production in the band of 360-380 Mboe/d. The company expects exploration expenses for the fourth quarter to be $30 million. To preserve liquidity amid unprecedented economic crisis as a result of the novel coronavirus pandemic, Occidental decided to spend in the range of $0.7-$0.8 billion in second-half 2020 and $2.4-$2.6 billion in 2020.

Recent News

Occidental to Sell Onshore Assets in Colombia for $825M - Oct 1, 2020

Occidental Petroleum Corporation recently inked a deal to divest its onshore assets in Colombia to The Carlyle Group for $825 million. Of the agreed price, $700 million will be paid up front and the remainder will be subject to certain production and commodity price targets.

The transaction is likely to close in the fourth quarter of 2020. It includes operations and working interests in Llanos Norte, Middle Magdalena and Putumayo Basins

Occidental Notes Exchanged for Western Midstream Units - Sep 14, 2020

Occidental Petroleum Corporation and Western Midstream Partners, LP have entered into an agreement to maximize the value of shareholders and unitholders. Per the agreement, the firm will exchange 98% interest in the $260 million 6.50% fixed-rate note receivable due 2038 from Occidental for 27.855 million Western Midstream common units owned by the former. The units will be canceled following the exchange.

This deal will be beneficial for both the entities. Further, the deal will aid Occidental in achieving its debt reduction goal, strengthening the balance sheet and lowering annual interest expenses by $16.9 million. Also, this transaction will increase the firm's per-annum free cash flow after distributions by nearly $18.1 million, based on current per-unit annualized distributions. The above exchange will allow Occidental to further lower debt burden.

Valuation

Occidental Petroleum shares are down 59.3% in the year to date period, and 57.1% over the trailing 12-month period. Stocks in the Zacks sub-industry was down 39.8% and the Zacks Oil & Energy sector was down by 28.9%, in the year to date period. Over the past year, the Zacks sub-industry and the sector are down 35% and 25.9% respectively.

The S&P 500 index is up 13.1% in the year to date period and up 16.6% in the past year.

The stock is currently trading at 3.21X of trailing 12-month Cash flow, which compares to 4.78X for the Zacks sub-industry, 4.36X for the Zacks sector and 19.43X for the S&P 500 index.

Over the past five years, the stock has traded as high as 17.18X and as low as 1.18X with a 5-year median of 11.02X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $17 price target reflects 3.46X of our 12-month Cash flow.

The table below shows summary valuation data for OXY

Valuation Multiples - OXY

		Stock	Sub-Industry	Sector	S&P 500
P/Cash Flow	Current	3.21	4.78	4.36	19.43
	5-Year High	17.18	15.41	9.38	23.65
	5-Year Low	1.18	1.61	1.64	12.86
	5-Year Median	11.02	8.2	5.78	18.34
P/S F12M	Current	0.86	1.34	0.77	4.18
	5-Year High	5.12	2.54	1.47	4.3
	5-Year Low	0.41	0.87	0.6	3.17
	5-Year Median	3.35	1.85	0.97	3.67
EV/EBITDA TTM	Current	10.68	7.91	4.78	15.92
	5-Year High	28.81	21.78	10.55	16.17
	5-Year Low	4.19	3.3	3.08	9.54
	5-Year Median	11.45	7.79	6.37	13.12

As of 11/23/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 7% (235 out of 254)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Equitrans Midstream Corporation (ETRN)	Outperform	4
Antero Midstream Corporation **(AM)**	Neutral	3
ConocoPhillips **(COP)**	Neutral	4
Devon Energy Corporation **(DVN)**	Neutral	3
Hess Corporation **(HES)**	Neutral	3
Marathon Oil Corporation **(MRO)**	Neutral	3
Cactus, Inc. **(WHD)**	Neutral	3
Rattler Midstream LP **(RTLR)**	Underperform	4

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

Industry Comparison Industry: Oil And Gas - Integrated - United States

Industry Peers

	OXY	X Industry	S&P 500	COP	HES	MRO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	4	3	3
VGM Score	D	-	-	D	D	D
Market Cap	14.68 B	376.32 M	25.83 B	45.82 B	15.34 B	4.87 B
# of Analysts	8	5	14	8	6	11
Dividend Yield	0.25%	0.13%	1.49%	4.03%	2.00%	1.94%
Value Score	C	-	-	B	C	A
Cash/Price	0.15	0.15	0.07	0.17	0.09	0.25
EV/EBITDA	8.07	3.55	14.64	3.19	8.28	3.02
PEG F1	NA	0.28	2.76	NA	NA	NA
P/B	1.45	0.98	3.55	1.49	2.23	0.45
P/CF	1.96	4.03	13.80	4.48	8.27	1.63
P/E F1	NA	7.92	21.67	NA	NA	NA
P/S TTM	0.75	2.04	2.79	2.15	3.02	1.40
Earnings Yield	-23.35%	-3.23%	4.40%	-2.11%	-4.93%	-20.42%
Debt/Equity	3.56	0.39	0.70	0.48	1.24	0.50
Cash Flow ($/share)	8.02	1.89	6.92	9.53	6.04	3.78
Growth Score	D	-	-	D	D	F
Historical EPS Growth (3-5 Years)	129.63%	138.34%	9.72%	147.06%	NA	NA
Projected EPS Growth (F1/F0)	-354.06%	-68.17%	0.42%	-125.00%	-159.13%	-267.88%
Current Cash Flow Growth	-8.32%	-9.26%	5.29%	-10.21%	7.85%	-1.12%
Historical Cash Flow Growth (3-5 Years)	-2.26%	-11.83%	8.33%	-7.49%	-16.17%	-6.25%
Current Ratio	1.02	1.88	1.38	2.38	2.20	1.23
Debt/Capital	64.38%	32.62%	41.99%	32.62%	55.27%	33.17%
Net Margin	-76.17%	-36.71%	10.40%	-5.66%	-63.27%	-32.64%
Return on Equity	-15.55%	-2.42%	14.99%	-0.02%	-11.18%	-6.64%
Sales/Assets	0.20	0.29	0.50	0.33	0.25	0.18
Projected Sales Growth (F1/F0)	-18.24%	-8.76%	0.23%	-50.23%	-22.26%	-39.98%
Momentum Score	F	-	-	F	F	F
Daily Price Change	16.83%	6.18%	1.06%	7.72%	7.31%	10.18%
1-Week Price Change	14.32%	8.00%	0.21%	12.13%	7.19%	10.67%
4-Week Price Change	66.60%	29.42%	8.26%	40.86%	33.42%	49.40%
12-Week Price Change	23.70%	9.66%	9.20%	12.72%	8.47%	16.86%
52-Week Price Change	-60.53%	-28.68%	5.26%	-30.04%	-22.87%	-49.05%
20-Day Average Volume (Shares)	27,272,732	589,777	2,312,054	14,776,555	2,510,968	34,884,780
EPS F1 Estimate 1-Week Change	-1.87%	0.00%	0.00%	-0.56%	0.34%	-0.73%
EPS F1 Estimate 4-Week Change	-4.65%	0.00%	0.96%	-6.48%	-9.69%	-2.74%
EPS F1 Estimate 12-Week Change	-10.70%	3.75%	3.72%	-31.26%	-48.74%	-3.37%
EPS Q1 Estimate Monthly Change	-1.86%	0.00%	0.00%	-132.68%	-191.25%	-15.53%

Source: Zacks Investment Research

Zacks Stock Rating System

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

Zacks Recommendation

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

Zacks Rank

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

Zacks Style Scores

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

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

Value Score	C
Growth Score	D
Momentum Score	F
VGM Score	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.

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.