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Nov 16, 2020

PepsiCo Inc. (PEP)

$144.71 (As of 11/13/20)

Price Target (6-12 Months): **$152.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/17/19) Prior Recommendation: Underperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: C	Growth: B	Momentum: D	**3-Hold** VGM:B

Summary

Shares of PepsiCo have outpaced the industry year to date on a positive surprise trend. Its top and bottom line surpassed estimates for the seventh straight quarter in the third quarter, and improved year over year. Despite the pandemic related challenges, the robust third quarter results were backed by resilience and strength in the global snacks and foods business, along with gains in the beverage category. The snacks/food business benefited from increased at-home consumption trends, while the beverage business returned to growth in the third quarter. The company also gained from its strong portfolio of brands, a responsive supply chain and flexible go-to-market systems, which helped maintain continued supplies. However, it witnessed soft margins on incremental COVID-19 related costs. Also, adverse currency rates remain a headwind.

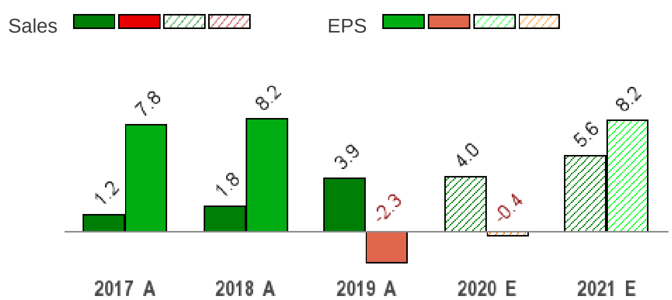
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$147.20 - $101.42**
20-Day Average Volume (Shares)	**3,767,251**
Market Cap	**$200.0 B**
Year-To-Date Price Change	**5.9%**
Beta	**0.55**
Dividend / Dividend Yield	**$4.09 / 2.8%**
Industry	**Beverages - Soft drinks**
Zacks Industry Rank	**Bottom 32% (172 out of 254)**
Last EPS Surprise	**12.2%**
Last Sales Surprise	**4.6%**
EPS F1 Estimate 4-Week Change	**0.0%**
Expected Report Date	**NA**
Earnings ESP	**0.0%**
P/E TTM	**26.3**
P/E F1	**26.3**
PEG F1	**3.8**
P/S TTM	**2.9**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	14,337 E	17,364 E	18,720 E	22,751 E	73,776 E
2020	13,881 A	15,945 A	18,091 A	21,929 E	69,852 E
2019	12,884 A	16,449 A	17,188 A	20,640 A	67,161 A

EPS Estimates

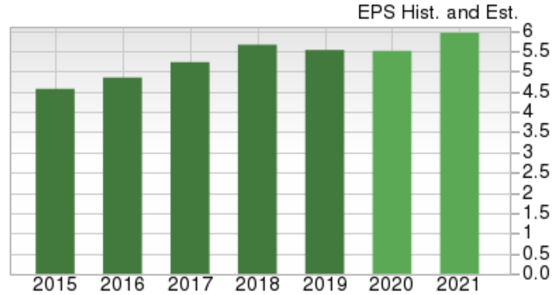
	Q1	Q2	Q3	Q4	Annual*
2021	$1.14 E	$1.52 E	$1.77 E	$1.61 E	$5.96 E
2020	$1.07 A	$1.32 A	$1.66 A	$1.45 E	$5.51 E
2019	$0.97 A	$1.54 A	$1.56 A	$1.45 A	$5.53 A

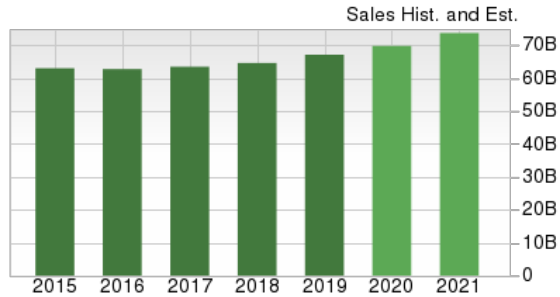
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 11/13/2020. The reports text is as of 11/16/2020.

Overview

Headquartered in Purchase, NY, PepsiCo, Inc. is one of the leading global food and beverage companies. Its complementary brands/businesses include Frito-Lay snacks, Pepsi-Cola beverages, Gatorade sports drinks, Tropicana juices and Quaker foods. The company serves customers in more than 200 countries and territories.





The company is organized into six reportable segments:

Frito-Lay North America (FLNA - accounted for 25% of total revenues in 2019): The segment produces and sells snack foods in the United States, including some popular names like Cheetos cheese-flavored snacks, Doritos tortilla chips, Fritos corn chips, Lay's potato chips, Ruffles potato chips and Tostitos tortilla chips.

Quaker Foods North America (QFNA - 4%): The segment manufactures and sells cereals, rice, pasta, dairy and other branded products and includes some popular names like Quaker oatmeal and Aunt Jemima mixes and syrups, Quaker grits.

PepsiCo Beverages North America (PBNA - 33%): The segment includes all beverage businesses in the United States and Canada. The segment, formerly known as North America Beverages (NAB), manufactures and sells beverage concentrates, fountain syrups and many carbonated soft drinks (CSD) and non-carbonated beverages (NCB). It also sells ready-to-drink tea and coffee products through joint ventures (JV) with Unilever and Starbucks along with brands like Crush and Dr Pepper.

Latin America (LatAm - 11%): The segment includes all beverage, food and snack businesses in Latin America.

Europe (18%): The segment includes all beverage, food and snack businesses in Europe. It also sells ready-to-drink tea products through an international JV with Unilever (under the Lipton brand name) and some leading dairy products.

Africa, Middle East and South Asia (AMESA - 5%): The segment includes all beverage, food and snack businesses in Africa, Middle East and South Asia.

Asia Pacific, Australia and New Zealand and China (APAC - 4%): The segment includes all beverage, food and snack businesses in Asia Pacific, Australia and New Zealand and China.

Source: Zacks Investment Research

Reasons To Buy:

▲ **Robust Surprise Trend & Outlook, Stock Outperforms:** Shares of PepsiCo have gained 5.8% year to date, against the industry's decline of 1.4%. The company boasts a robust surprise trend, which continued in third-quarter 2020. The company's top and bottom line surpassed the Zacks Consensus Estimate for the seventh straight quarter in the third quarter, and improved on a year over year basis. Despite the pandemic related challenges, the company's robust third quarter performance was backed by its resilience and strength in the global snacks and foods business as well as improvement in the beverage category. Revenue gains also reflected strong volume growth and robust pricing during the quarter. Organic revenue accelerated 4.2% with both North America and International businesses delivering mid-single digit growth. Total volume increased 2% in the reported quarter. Meanwhile, net pricing climbed 3% in the third quarter, driven by strong pricing across almost all segments, except AMESA. The company also gained from its strong portfolio of brands, a responsive supply chain and flexible go-to-market systems, which helped maintain continued supplies amid the coronavirus pandemic.

> Despite the pandemic related challenges, PepsiCo's robust third quarter results were backed by resilience and strength in the global snacks and foods business and gains in the beverage category.

Based on the year-to-date performance and evolving business conditions, the company updated its guidance for 2020. It predicts organic revenue growth of 4% for the year with core earnings of $5.50 per share. It reported core earnings per share of $5.53 in 2019.

▲ **Strong Snacks/Food Business Results:** PepsiCo has the competitive advantage of selling both snacks and beverages, which are complementary food categories. The resilience in the snacks/food business worked well for the company amid the coronavirus pandemic. The social distancing and shelter in place norms led to more time spent at home, giving rise to increased at-home consumption trends. This provided an opportunity for the company's Frito-Lay and Quaker food businesses to capitalize and improve household penetration. Notably, organic volume for snacks/food business improved 3% in the third quarter. Consequently, organic revenues increased 6% each at FLNA and QFNA segments in the third quarter. Organic revenue growth across both FLNA and QFNA business was driven by strong category growth and market share gains. Frito-Lay's revenue gains reflect gains across all major brands including double-digit growth for Tostitos, high-single digit growth for Cheetos, and mid-single digit growth for Doritos and Ruffles. Meanwhile, the Quaker business benefited from increased breakfast occasions, in-home dinners and baking occasions. Quaker's performance was aided by strong double-digit net revenue growth in lite snacks and side dishes such as pasta and macaroni and cheese. Pancake mixes and syrup sales increased at a high-single digit rate, while both hot and ready-to-eat cereal also delivered good growth.

▲ **Beverages Category Returns To Growth:** PepsiCo reported organic volume growth of 1% for the beverage business in the third quarter, marking a sequential increase and return to growth. Notably, organic revenue was up 3% for PBNA, 1% for Latin America, 7% for Europe and 5% for APAC. In North America, it delivered strong double-digit net revenue growth for bubly, Lipton and Starbucks, high-single digit growth for Gatorade, mid-single digit growth for Mountain Dew and Tropicana, and low-single digit growth for Pepsi. Moreover, market share trend for the liquid refreshment beverage category improved versus the previous quarter, with share gains in the coffee, tea and juice categories. Further, the company is witnessing robust trends in the energy drinks category. It expects to expand presence in the energy drinks category with recent acquisition of Rockstar and expanding the distribution of Bang, along with improving execution in the marketplace; and unlocking the potential for Mountain Dew in the energy category. Going forward, PepsiCo expects strong growth and market share gains for the Energy Drinks category driven by increased depth and breadth of its portfolio and improved distribution capabilities to bolster presence of this category.

▲ **Productivity Improvement and Cost Savings Program:** PepsiCo has been continually focused on driving greater efficiency and effectiveness, by driving down costs and plowing back these savings to develop scale and core capabilities. In 2019, the company delivered in excess of $1 billion in productivity savings, keeping it on track with its goal of generating productivity savings of at least $1 billion annually through 2023. The company expects to achieve this productivity goal through savings generated from restructuring actions. These actions are likely to position the company to further simplify, synchronize and automate processes; re-engineer the go-to-market and information systems; simplify the organization and optimize its manufacturing and supply chain footprint. As part of these restructuring actions, the company estimates incurring pre-tax charges of nearly $2.5 billion through 2023 (with cash portion of nearly $1.6 billion). Savings from the productivity and restructuring plans should go a long way in driving top line and margins.

▲ **Financial Flexibility:** Despite the coronavirus crisis, PepsiCo remains financially sound to run its business and meet obligations. As of Sep 5, 2020, the company's long term debt declined 1.3% sequentially to $37,879 million. Its cash and cash equivalents at the end of third-quarter reflects a sequentially increase to $9,094 million from $8,927 million as of the second quarter, its cash position remains sufficient to fund its short term debt obligations of about $6,692 million as of Sep 5, 2020. Moreover, its debt-to-capitalization ratio of 0.74 represents a sequential improvement from 0.75 as of Jun 13, 2020. Further, it expects to maintain a strong balance sheet, increased cash generation and ample liquidity to invest in its business and reward its shareholders. It anticipates generating $10 million of cash from operations and about $6 million of free cash flow in 2020. Capital expenditure for 2020 is estimated to be nearly $4 million.

▲ **Shareholder Returns:** PepsiCo regularly returns value through higher dividends and share buybacks and reinvests greatly in its business. PepsiCo has been increasing dividend for 48 consecutive years, including increases of 7.1% in 2020, 3% in 2019, 15% in 2018, 7% in 2017, 7.1% in 2016, 7.3% in 2015, 15% for 2014 and 5.6% for 2013. Also, it bought back shares worth $3.2 billion in 2012, $3 billion in 2013, $5 billion each in 2014 and 2015, $3 billion in 2016, and $2 billion in both 2017 and 2018. We note that the company's current annualized dividend rate of $4.09 a share reflects a 7.1% increase from the year-ago period. Notably, PepsiCo has a dividend payout ratio of 73.2%, dividend yield of 2.9% and free cash flow yield of 3.3%. Moreover, management plans to return $7.5 billion of cash to shareholders in 2020, through dividend payments worth $5.5 billion and share repurchases of $2 billion.

Reasons To Sell:

> PepsiCo witnessed soft margins in the third quarter on incremental COVID-19 related costs. Core operating margin included $147 million of costs to keep employees safe and business operational.

- **Valuation Looks Stretched:** Considering price-to-earnings (P/E) ratio, PepsiCo looks overvalued compared with the broader Consumer Staples sector and the S&P 500 index. The stock has a trailing 12-month P/E ratio of 26.31, which is above the median level of 24.67x and below the high level of 26.63x scaled in the past year. On the contrary, the trailing 12-month P/E ratio is higher than 24.23x for the sector and 25.93x for S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.

- **Higher Costs Weigh on Margins:** In third-quarter 2020, reported gross margin contracted 32 basis points (bps) while core gross margin declined 60 bps. The year-over-year decline was attributed to the recent buyout of Pioneer Foods and Be & Cheery, as well as some COVID-19 related costs included in cost of goods sold. Meanwhile, reported operating margin expanded 3 bps and core operating margin declined 40 bps. Core operating margin was impacted by higher advertising and marketing spending and nearly $147 million of incremental COVID-19 related costs to keep employees safe and ensure business continuity. Excluding the incremental COVID-19 costs, the company anticipates core operating margin to have increased 40 bps in the reported quarter.

- **Unfavorable Foreign Currency:** PepsiCo's significant international presence exposes it to foreign currency risks. Foreign currency impacted revenues and earnings by 2% and 3%, respectively, in the third quarter. Moreover, the company expects currency headwinds to hurt its revenues and core earnings per share by 2 percentage points in 2020, based on the current rates.

- **Stiff Competition:** Aggressive competition is a major threat against the company. Though the company has an advantage of diversified snacks and beverage portfolio, competing with the leading soft-drinks maker Coca-Cola is crucial for the company's business growth. Additionally, the company is facing headwinds due to the growing healthy lifestyle trend, which is driving lower consumer preference for sugary sodas and salty snacks.

- **Macro Challenges:** The beverage industry presents substantial challenges for PepsiCo, primarily related to dynamic retail and consumer landscape, a very competitive environment, as well as operating and commodity cost inflation. The company's profits and margins are particularly pressured due to higher transportation cost, product mix costs and stepped-up advertising expense.

Last Earnings Report

PepsiCo Q3 Earnings & Sales Top Estimates

Quarter Ending	09/2020
Report Date	Oct 01, 2020
Sales Surprise	4.64%
EPS Surprise	12.16%
Quarterly EPS	1.66
Annual EPS (TTM)	5.50

PepsiCo has reported strong third-quarter 2020 results, wherein earnings and sales surpassed estimates and improved year over year as well. Despite continued challenges related to the coronavirus pandemic, the company's robust third quarter performance was backed by its resilience and strength in the global snacks and foods business as well as improvement in the beverage category.

The company also gained from its strong portfolio of brands, a responsive supply chain and flexible go-to-market systems, which helped maintain continued supplies amid the coronavirus pandemic.

Quarter in Detail

PepsiCo's third-quarter core EPS of $1.66 beat the Zacks Consensus Estimate of $1.48 and also increased 6.4% year over year. In constant currency, core earnings were up 9% from the year-ago period. The company's reported EPS of $1.65 rose 10% year over year.

Net revenues of $18,091 million improved 5.3% year over year and also surpassed the Zacks Consensus Estimate of $17,288 million. On an organic basis, revenues grew 4.2% year over year. Foreign currency impacted revenues and earnings by 2% and 3%, respectively, in the third quarter. Revenues benefited from continued momentum in snacking category as well as gains in beverage business.

Revenues also reflected gains from strong volume growth and robust pricing during the quarter. Total volume increased 2% in the reported quarter. Notably, organic volume for snacks/food business improved 3% while it was up 1% for the beverage business. Meanwhile, net pricing climbed 3% in the third quarter, driven by strong pricing across almost all segments, except AMESA.

On a consolidated basis, reported gross margin contracted 32 basis points (bps) while core gross margin declined 60 bps. Reported operating margin expanded 3 bps while core operating margin declined 40 bps.

Segment Details

On a segmental basis, the company witnessed revenue growth across all segments, except Latin America. Organic revenues also ascended for all segments, except AMESA.

Reported revenues bettered 7% in FLNA, 3% in Europe, 31% in AMESA, 15% in APAC and 6% each in QFNA and PBNA segments whereas the metric declined 13% in Latin America. Organic revenues increased 6% each at FLNA and QFNA segments while the same was up 3% for PBNA, 1% for Latin America, 7% for Europe and 5% for APAC. However, organic revenues dipped 2% at AMESA.

Operating profit (on a reported basis) grew 5% for FLNA, 15% for QFNA, 9% for PBNA and 5% for Europe. However, it declined 10% for Latin America, 9% for AMESA and 1.5% for APAC.

Financials

The company ended the third quarter with cash and cash equivalents of $9,094 million, long-term debt of $37,879 million and shareholders' equity (excluding non-controlling interest) of $13,483 million.

Net cash provided by operating activities was $6,123 million as of Sep 5, 2020 compared with $5,063 million as of Sep 7, 2019.

Outlook

Based on the year-to-date performance and evolving business conditions, the company updated its guidance for 2020. It predicts organic revenue growth of 4% for the year with core earnings of $5.50 per share. It reported core earnings per share of $5.53 in 2019.

Further, it expects to maintain a strong balance sheet, increased cash generation and ample liquidity to invest in its business and reward its shareholders. It anticipates generating $10 million of cash from operations and about $6 million of free cash flow. Capital expenditure for 2020 is estimated to be nearly $4 million.

For 2020, the company plans to return $7.5 billion of cash to its shareholders, comprising $5.5 billion of dividends and $2 billion of share repurchases. It expects core effective tax rate of 21%.However, the company expects currency headwinds to hurt its revenues and core earnings per share (EPS) by 2 percentage points in 2020, based on the current rates.

Recent News

PepsiCo's Micro-Fulfillment Center to Enhance Delivery – Nov 10, 2020

In response to the growing online demand due to the coronavirus pandemic, PepsiCo has opened a micro-fulfillment center in Joliet, IL. The state-of-the-art facility comes with precautionary measures for COVID-19, faster delivery facilities with lower costs and reduced costs of floor space. Notably, PepsiCo has become one of the first companies to launch a micro-fulfillment center. This new facility will help the company serve customers more quickly and in a more convenient way.

Through the fulfillment center PepsiCo will join hands with retail partners to create an end-to-end solution to enhance its operations. This solution will be backed by Dematic, which is one of the leading automation suppliers. Currently, the fulfillment center is in testing phase, for which it has received positive feedback. The high level of automation at the facility is likely to enable PepsiCo to serve 7.5 times more units an hour, which reflects a sharp rise from the traditional warehouse operation.

PepsiCo Locks Distribution Deal for evian in Canada – Sep 28, 2020

PepsiCo's subsidiary, PepsiCo Beverages Canada, signed an exclusive distribution agreement with Danone Waters of America to supply evian natural spring water across Canada. Danone is the importer and distributor of evian natural spring water in the United States and Canada. PepsiCo expects to start distributing the evian brand in Canada from January 2021.

Danone expects this partnership to further expand evian's reach and accelerate the brand's growth. It anticipates benefiting from PepsiCo's distribution system, sales capabilities and complementary brand portfolio to reach more customers in Canada.

As for PepsiCo, this partnership is an extension of its overall hydration strategy. It expects to bolster growth of the evian brand, using its distribution networks and selling capabilities.

PepsiCo & Red Lobster to Launch First Mountain Dew Cocktail – Sep 15, 2020

PepsiCo has collaborated with Red Lobster to introduce the first-of-its-kind Mountain Dew cocktail namely — Dew Garita. With the two iconic food and beverage brands teaming up for a new menu, customers are in for a treat. The Dew Garita cocktail is a perfect match for Red Lobster's iconic Cheddar Bay Biscuits. The new cocktail will be initially launched in September at a few Red Lobster restaurants and will then be available across the United States by year-end.

Apart from this, PepsiCo's Frito-Lay and Quaker range of products along with Pepsi, Mountain Dew, Stubborn craft soda, bubly sparkling water, Lifewtr, Tropicana and non-carbonated options like lemonade and agua fresca will also be part of the newly curated menu at Red Lobster restaurant.

PepsiCo Explores Functional Drinks, To Launch Driftwell – Sep 14, 2020

Amid the COVID-19-ridden market, where a lifestyle shift has been a cause of anxiety in people, PepsiCo is ready to launch its latest beverage in the functional category — Driftwell, per media sources. This product rollout is guided by the idea of helping consumers to deal with stress, relax and promote good sleep. Though developed before the COVID-19 outbreak, Driftwell is being launched now on recognizing the need for a relaxing drink.

Driftwell is an enhanced water drink, containing L-theanine, which is an amino acid often found in green tea, black tea and mushrooms. It is usually used to relieve anxiety and improve mental health. Additionally, the new drink contains 10% of the daily value of magnesium. The company plans to launch the drink in small cans of 7.5 ounces and one flavor — blackberry lavender. Additionally, it is a calorie-free and sugar-free drink.

The company expects to launch the health and wellness drink nationwide through its online portals in December 2020. The drink is likely to hit the store shelves in the first quarter of 2021. Notably, the launch comes at a time when more people are complaining of sleeping troubles due to anxiety and stress related to the pandemic. The launch is likely to position the company well to take advantage of the growing over-the-counter sleep aid industry, which is worth $1 billion.

Valuation

PepsiCo shares are up 5.8% in the year-to-date period and nearly 7.9% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 1.4% each in the year-to-date period. Over the past year, the Zacks sub-industry and sector are up 1.3% and 2%, respectively.

The S&P 500 index is up 11.6% in the year-to-date period and 15.3% in the past year.

The stock is currently trading at 24.53X forward 12-month earnings, which compares to 23.75X for the Zacks sub-industry, 20.23X for the Zacks sector and 22.56X for the S&P 500 index.

Over the past five years, the stock has traded as high as 25.07X and as low as 16.44X, with a 5-year median of 21.23X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $152 price target reflects 25.77X forward 12-month earnings.

The table below shows summary valuation data for PEP

Valuation Multiples - PEP

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.53	23.75	20.23	22.56
	5-Year High	25.07	23.75	22.37	23.47
	5-Year Low	16.44	18.43	16.61	15.27
	5-Year Median	21.23	21.67	19.56	17.72
P/S F12M	Current	2.73	4.56	9.85	4.2
	5-Year High	2.91	5.35	11.16	4.3
	5-Year Low	2.04	3.85	8.14	3.17
	5-Year Median	2.47	4.59	9.89	3.67
EV/EBITDA TTM	Current	17.19	21.59	39.18	15.98
	5-Year High	29.18	21.86	45.71	15.98
	5-Year Low	9.7	12.28	27.69	9.54
	5-Year Median	13.93	17.95	38.99	13.1

As of 11/13/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Bottom 32% (172 out of 254)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Conagra Brands Inc. **(CAG)**	Neutral	3
Campbell Soup Company **(CPB)**	Neutral	3
Fomento Economico Mexicano S.A.B. de C.V. **(FMX)**	Neutral	4
Kellogg Company **(K)**	Neutral	3
CocaCola Company The **(KO)**	Neutral	3
Coca Cola Femsa S.A.B. de C.V. **(KOF)**	Neutral	3
Mondelez International, Inc. **(MDLZ)**	Neutral	4
Monster Beverage Corporation **(MNST)**	Neutral	3

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

Industry Comparison Industry: Beverages - Soft Drinks

Industry Peers

	PEP	X Industry	S&P 500	FMX	KO	MNST
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	3
VGM Score	B	-	-	D	C	C
Market Cap	199.98 B	131.66 M	24.89 B	24.47 B	229.70 B	44.36 B
# of Analysts	8	1.5	14	2	8	8
Dividend Yield	2.83%	0.00%	1.51%	2.18%	3.07%	0.00%
Value Score	C	-	-	C	D	D
Cash/Price	0.05	0.07	0.07	0.30	0.10	0.04
EV/EBITDA	17.72	5.70	14.40	7.02	18.94	28.82
PEG F1	3.76	4.04	2.74	10.99	6.76	3.07
P/B	14.71	5.34	3.58	1.69	11.31	9.58
P/CF	19.77	10.60	13.66	10.01	21.87	38.53
P/E F1	26.26	23.92	21.82	52.21	28.37	36.69
P/S TTM	2.92	1.81	2.80	1.03	6.86	10.04
Earnings Yield	3.81%	3.81%	4.39%	1.92%	3.52%	2.73%
Debt/Equity	2.79	0.59	0.70	0.59	1.94	0.00
Cash Flow ($/share)	7.32	0.50	6.92	6.83	2.44	2.18
Growth Score	B	-	-	D	C	B
Historical EPS Growth (3-5 Years)	4.72%	9.19%	9.77%	-3.88%	1.56%	18.62%
Projected EPS Growth (F1/F0)	-0.38%	0.02%	0.37%	-57.33%	-10.72%	12.81%
Current Cash Flow Growth	-2.46%	9.45%	5.23%	14.92%	4.40%	9.91%
Historical Cash Flow Growth (3-5 Years)	1.04%	13.28%	8.33%	6.34%	-1.10%	18.17%
Current Ratio	0.93	1.43	1.38	1.68	1.13	3.65
Debt/Capital	73.59%	41.67%	42.01%	37.09%	66.04%	0.00%
Net Margin	10.27%	3.41%	10.40%	1.21%	24.90%	26.99%
Return on Equity	56.28%	8.04%	15.07%	2.70%	41.37%	28.24%
Sales/Assets	0.79	0.75	0.50	0.69	0.36	0.84
Projected Sales Growth (F1/F0)	4.01%	0.00%	0.23%	-14.35%	-9.66%	7.74%
Momentum Score	D	-	-	C	B	A
Daily Price Change	0.60%	0.63%	2.02%	2.87%	0.83%	1.28%
1-Week Price Change	3.82%	4.01%	5.72%	7.22%	2.89%	8.74%
4-Week Price Change	2.32%	2.11%	4.84%	17.93%	6.92%	3.23%
12-Week Price Change	5.84%	0.19%	9.72%	16.79%	12.88%	1.22%
52-Week Price Change	8.54%	-7.68%	6.16%	-25.41%	1.56%	42.58%
20-Day Average Volume (Shares)	3,767,251	123,392	2,164,670	802,777	16,050,678	2,382,197
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.94%
EPS F1 Estimate 4-Week Change	0.00%	1.38%	2.00%	1.55%	5.24%	1.38%
EPS F1 Estimate 12-Week Change	3.09%	1.55%	3.94%	1.55%	4.73%	1.33%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.68%	NA	-1.53%	1.97%

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	B
Momentum Score	D
VGM Score	B

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

Disclosures

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

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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.