

PepsiCo Inc. (PEP)

\$133.20 (As of 09/17/20)

Price Target (6-12 Months): **\$140.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 04/17/19)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:B

Value: C

Growth: A

Momentum: D

Summary

Shares of PepsiCo have outpaced the industry year to date on a positive surprise trend. The company's top and bottom line surpassed the Zacks Consensus Estimate for the sixth straight quarter in second-quarter 2020. Despite the coronavirus outbreak, results gained from resilience in the global snacks and foods business. Lifting of restrictions and the gradual easing of challenges as the quarter progressed also aided results by improving business performance and channel mix. 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. However, declines in the beverage category hurt volumes and top line growth in the second quarter. Also, adverse currency rates and higher operating expenses remain headwinds.

Data Overview

52-Week High-Low	\$147.20 - \$101.42
20-Day Average Volume (Shares)	4,065,054
Market Cap	\$184.4 B
Year-To-Date Price Change	-2.5%
Beta	0.56
Dividend / Dividend Yield	\$4.09 / 3.1%
Industry	Beverages - Soft drinks
Zacks Industry Rank	Bottom 18% (205 out of 251)

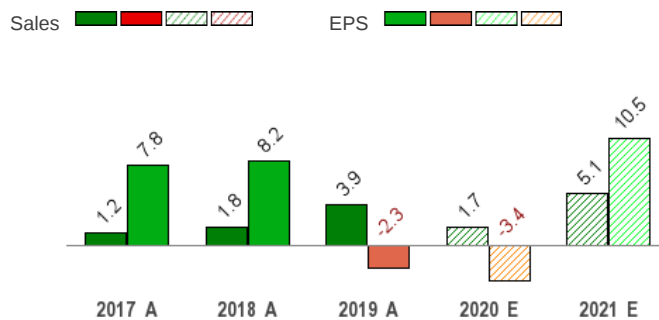
Last EPS Surprise	5.6%
Last Sales Surprise	2.6%
EPS F1 Estimate 4-Week Change	-0.2%
Expected Report Date	10/01/2020
Earnings ESP	0.0%

P/E TTM	24.7
P/E F1	24.9
PEG F1	3.6
P/S TTM	2.7

Price, Consensus & Surprise



Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	13,937 E	17,127 E	18,111 E	21,912 E	71,767 E
2020	13,881 A	15,945 A	17,258 E	21,116 E	68,313 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	\$1.55 E	\$1.65 E	\$1.66 E	\$5.90 E
2020	\$1.07 A	\$1.32 A	\$1.47 E	\$1.50 E	\$5.34 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 09/17/2020. The reports text is as of 09/18/2020.

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.

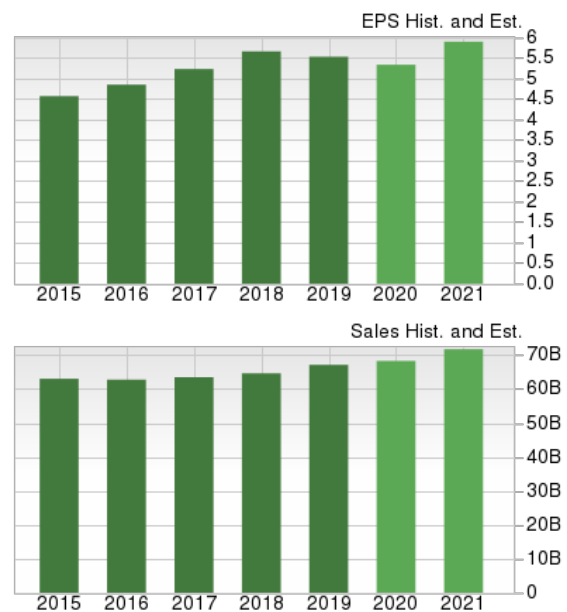
PepsiCo Beverages North America (PBNA - 33%): The segment includes all beverage businesses in the United States and Canada. The segment, formerly known as North America Beverages (NAB), manufactures and sells beverage concentrates, fountain syrups and many carbonated soft drinks (CSD) and non-carbonated 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:** Although shares of PepsiCo have lost 2.6% year to date it fared better than the industry's decline of 7.3%. The company boasts a robust surprise trend, which continued in second-quarter 2020. The company's top and bottom line surpassed the Zacks Consensus Estimate for the sixth straight quarter in the second quarter. Despite the challenges presented by the coronavirus outbreak, the company's better-than-expected performance can be attributed to resilience in the global snacks and foods business. Further, the second quarter benefited from the lifting of restrictions and the gradual easing of challenges, which resulted in improved business performance and channel mix. 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.
- ▲ **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. The stay at home trend resulted in evolved consumer eating habits, giving rise to at-home breakfast, snacking and dinner occasions. This provided an opportunity for the company's Frito-Lay and Quaker food businesses to capitalize and improve household penetration. Although the company's overall volume was hurt by soft beverage volumes, gains in the snacks/food categories offset the decline. Notably, organic volume for snacks/food business improved 4% in the second quarter and 5% in the first half of 2020. Consequently, organic revenues increased 23% at QFNA and 6% at FLNA segments in the second 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 in Tostitos, Fritos and Cheetos, high-single-digit growth in Ruffles and mid-single-digit growth in Doritos. Meanwhile, the Quaker business benefited from increased breakfast occasions, in-home dinners and baking occasions.
- ▲ **Energy Drinks & Other Beverages Category:** Though the overall beverages business trend remained soft in the second quarter, PepsiCo delivered strong double-digit net revenue growth for both Pepsi Zero Sugar and Bubly. Moreover, its ready-to-drink coffee products delivered high-single digit net revenue growth in the quarter. Further, the company is witnessing robust trends in the energy drinks category. In the second quarter, the company completed the transition and integration of Rockstar, while the distribution of Bang Energy is nearly complete. The company's Energy Drinks strategy mainly focuses on accelerating growth of Rockstar; expanding the distribution of Bang and 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 Jun 13, 2020, the company's long term debt increased 8.5% sequentially to \$38,371 million. Although its cash and cash equivalents at the end of second-quarter reflects a sequentially decline to \$8,927 million from \$11,089 million as of the first quarter, its cash position remains sufficient to fund its short term debt obligations of about \$6,607 million as of Jun 13, 2020. Also, it had \$2.8 billion of outstanding commercial paper as of Jun 13. In the second quarter, the company entered a new 364-day unsecured revolving credit agreement, which allows borrowing up to \$3.75 billion and expires on May 31, 2021. This is in addition to the existing \$3.75 billion unsecured revolving credit agreement, which expires on Jun 3, 2024. As of Jun 13, 2020, there were no outstanding borrowings under both the revolving credit agreements. Based on all of the aforementioned factors and strong cash flow generation, the company believes it has ample flexibility to meet the investment needs of its business and return cash to shareholders in the foreseeable future.
- ▲ **Shareholder Returns:** PepsiCo regularly returns value through higher dividends and share buybacks and reinvests greatly in its business. PepsiCo's six-year annualized dividend per share (as of Dec 2018) has grown at a compounded growth rate of 9%, while cash returns over the same period were more than \$45 billion. It 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 74.5%, dividend yield of 3.03% and free cash flow yield of 2.7%. 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.

Despite the challenges presented by the coronavirus outbreak, PepsiCo's better-than-expected second-quarter 2020 performance can be attributed to resilience in the global snacks and foods business.

Reasons To Sell:

- ▼ **Valuation Looks Stretched:** Considering price-to-earnings (P/E) ratio, PepsiCo looks overvalued compared with the industry and the S&P 500 index. The stock has a trailing 12-month P/E ratio of 24.67x, which is above the median level of 24.57x but 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 24.86x for the industry and 23.81x for S&P 500. Given these factors, we believe that the stock is quite stretched from the P/E aspect.
- ▼ **Soft Beverage Business:** Amid the coronavirus led restrictions and closures, PepsiCo's beverage business was mainly hurt by decline in the convenience and gas and away-from-home channels, partly offset by increased at-home consumption. Global beverages organic volume declined 11%, which also led to a 2% decline overall volume. Further, organic revenue for the PepsiCo Beverages North America (PBNA) segment declined 7% in the second quarter due to declines in the convenience and gas and foodservice channels, offset growth in other channels like grocery, mass and dollar stores. Further, organic revenues for the international beverage business declined 5% in second quarter.
- ▼ **Higher Costs Weigh on Margins:** In second-quarter 2020, reported operating margin contracted 205 bps, while core operating margin declined 195 bps. Core operating margin was included nearly \$400 million of incremental COVID-19 related costs to keep employees safe and ensure business continuity. Excluding these costs, the company anticipates core operating margin to have increased in the reported quarter. Moreover, the company has been witnessing higher SG&A expenses for the past few quarters, which has been weighing on operating margin performance. Notably, SG&A expenses increased 3.5% in second-quarter 2020, while as a percentage of sales it increased 260 bps year over year.

In the third quarter, the company expects core operating margin to contract, although at a lesser rate than the second quarter. The soft margin rate is likely stem from the persistence of higher costs for keeping employees safe. Further, the company notes that there is uncertainty regarding the duration and long-term implications of the coronavirus outbreak. Consequently, the company did not provide any guidance for 2020.
- ▼ **Unfavorable Foreign Currency:** PepsiCo's significant international presence exposes it to foreign currency risks. Foreign currency impacted revenues and earnings by 4% and 3%, respectively, in the second quarter. Moreover, the company expects currency headwinds to hurt revenues and core earnings per share by 3 percentage points in the third quarter and in 2020, based on 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.

PepsiCo's beverage business was hurt by decline in the convenience and gas and away-from-home channels, partly offset by increased at-home consumption. Organic beverage volume fell 11% in Q2.

Last Earnings Report

PepsiCo Q2 Earnings & Sales Beat Estimates

PepsiCo has reported strong second-quarter 2020 results, wherein earnings and sales surpassed estimates. Despite the challenges presented by the coronavirus outbreak, the company's better-than-expected performance can be attributed to resilience in the global snacks and foods business. Further, the second quarter benefited from the lifting of restrictions and the gradual easing of challenges, which resulted in improved business performance and channel mix.

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.

It notes that there is uncertainty regarding the duration and long-term implications of the coronavirus outbreak. Consequently, the company did not provide any guidance for 2020. However, it expects to maintain a strong balance sheet, increased cash generation and ample liquidity to invest in its business and reward shareholders.

For 2020, the company plans to return \$7.5 billion of cash to shareholders, comprising \$5.5 billion of dividends and \$2 billion of share repurchases. Further, it expects core effective tax rate of 21%. Moreover, the company expects currency headwinds to hurt revenues and core earnings per share (EPS) by 3 percentage points in 2020, based on current rates.

Quarter in Detail

PepsiCo's second-quarter core EPS of \$1.32 beat the Zacks Consensus Estimate of \$1.25. However, core EPS declined 15% year over year. In constant currency, core earnings were down 11% from the year-ago period. The company's reported EPS of \$1.18 declined 18% year over year.

Net revenues of \$15,945 million declined 3.1% year over year and surpassed the Zacks Consensus Estimate of \$15,542.5 million. On an organic basis, revenues fell 0.3% year over year. Foreign currency impacted revenues and earnings by 4% and 3%, respectively, in the second quarter. The decline in the top line was mainly caused by the impacts of the coronavirus pandemic.

Although revenues were hurt by soft volume, it gained from robust pricing during the quarter. Total volume was down 2% in the reported quarter. Notably, organic volume for snacks/food business improved 4%, while it declined 11% for the beverage business. Meanwhile, net pricing improved 1.5% in the second quarter, driven by strong pricing across almost all segments.

On a consolidated basis, reported gross margin expanded 56 basis points (bps), while core gross margin improved 6 bps. Reported operating margin contracted 205 bps, while core operating margin declined 195 bps. The decline in operating margin was mainly owing to higher SG&A expenses.

Segment Details

On a segmental basis, the company witnessed organic and reported revenue growth for the snacks and food businesses as well as APAC.

Reported revenues improved 7% in FLNA, 23% in QFNA and 10% in APAC, whereas it declined 9% in Europe, 17% in Latin America, 7% in PBNA and 1% in AMESA segments. Organic revenues increased 23% at QFNA, 6% at FLNA and 15% at APAC. However, organic revenues declined 7% each at AMESA and PBNA, and 2.5% at Europe. Meanwhile, organic revenues remained flat in Latin America.

Operating profit (on a reported basis) declined 42% for the PBNA segment, 22% for Latin America and 75% for AMESA. However, it grew 63% for APAC, 3% for Europe, 55% for QFNA and 2% for FLNA.

Financials

The company ended second-quarter 2020 with cash and cash equivalents of \$8,927 million, long-term debt of \$38,371 million, and shareholders' equity (excluding non-controlling interest) of \$12,491 million.

Net cash provided by operating activities was \$1,462 million as of Jun 13, 2020, compared with \$1,388 million as of Jun 15, 2019.

Quarter Ending	06/2020
Report Date	Jul 13, 2020
Sales Surprise	2.59%
EPS Surprise	5.60%
Quarterly EPS	1.32
Annual EPS (TTM)	5.40

Recent News

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, bubbly 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 down 2.6% in the year-to-date period and 1.7% for the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 7.3% and 5.8% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 6.4% and 4%, respectively.

The S&P 500 index is up 5.1% in the year-to-date period and 13.1% in the past year.

The stock is currently trading at 23.21X forward 12-month earnings, which compares to 23.37X for the Zacks sub-industry, 19.92X for the Zacks sector and 22.37X 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 21.13X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$140 price target reflects 24.39X 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	23.21	23.37	19.92	22.37
	5-Year High	25.07	23.56	22.37	23.44
	5-Year Low	16.44	18.43	16.62	15.26
	5-Year Median	21.13	21.67	19.64	17.63
P/S F12M	Current	2.61	4.59	9.6	4.13
	5-Year High	2.91	5.35	11.15	4.29
	5-Year Low	2.04	3.71	8.12	3.11
	5-Year Median	2.46	4.57	9.89	3.66
EV/EBITDA TTM	Current	16.52	21.28	38.34	14.65
	5-Year High	29.18	21.94	45.11	15.61
	5-Year Low	9.7	12.26	27.23	9.51
	5-Year Median	13.83	17.87	38.44	13.01

As of 09/17/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 18% (205 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Monster Beverage Corporation (MNST)	Outperform	2
Conagra Brands Inc. (CAG)	Neutral	3
Campbell Soup Company (CPB)	Neutral	3
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	3
Fomento Economico Mexicano S.A.B. de C.V. (FMX)	Underperform	5

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	-	-	Underperform	Neutral	Outperform
Zacks Rank (Short Term)	4	-	-	5	3	2
VGM Score	B	-	-	B	D	D
Market Cap	184.43 B	407.19 M	23.91 B	19.92 B	217.13 B	42.57 B
# of Analysts	8	2	13.5	2	8	8
Dividend Yield	3.07%	0.00%	1.62%	2.47%	3.24%	0.00%
Value Score	C	-	-	B	D	D
Cash/Price	0.05	0.08	0.07	0.30	0.09	0.03
EV/EBITDA	16.59	4.97	13.24	6.12	17.95	27.95
PEG F1	3.54	4.45	2.97	9.09	5.85	2.98
P/B	14.65	3.65	3.29	1.44	11.32	10.07
P/CF	18.20	10.36	12.82	8.15	20.69	37.01
P/E F1	24.75	23.09	21.49	43.16	28.12	35.71
P/S TTM	2.73	1.62	2.52	0.81	6.33	9.88
Earnings Yield	4.01%	4.24%	4.40%	2.32%	3.56%	2.80%
Debt/Equity	3.05	0.31	0.70	0.69	1.97	0.00
Cash Flow (\$/share)	7.32	0.50	6.93	6.83	2.44	2.18
Growth Score	A	-	-	C	C	C
Historical EPS Growth (3-5 Years)	5.05%	8.72%	10.41%	1.47%	1.58%	19.03%
Projected EPS Growth (F1/F0)	-3.53%	-14.45%	-4.73%	-57.98%	-14.81%	11.33%
Current Cash Flow Growth	-2.46%	9.45%	5.26%	14.92%	4.40%	9.91%
Historical Cash Flow Growth (3-5 Years)	1.04%	13.28%	8.49%	6.34%	-1.10%	18.17%
Current Ratio	0.97	1.35	1.35	1.48	1.09	3.51
Debt/Capital	75.30%	31.14%	42.95%	40.81%	66.29%	0.00%
Net Margin	10.13%	1.87%	10.25%	2.55%	26.77%	26.57%
Return on Equity	54.77%	7.91%	14.66%	4.65%	41.44%	27.95%
Sales/Assets	0.82	0.77	0.50	0.72	0.38	0.85
Projected Sales Growth (F1/F0)	1.72%	0.00%	-1.43%	-18.24%	-9.89%	7.54%
Momentum Score	D	-	-	B	D	D
Daily Price Change	-1.32%	-0.71%	-0.48%	-0.66%	-0.47%	-1.42%
1-Week Price Change	-2.13%	-1.13%	-1.87%	-1.12%	0.04%	-1.13%
4-Week Price Change	-2.57%	-2.32%	0.96%	-4.92%	6.76%	-2.77%
12-Week Price Change	1.36%	0.68%	8.69%	-11.87%	12.51%	16.87%
52-Week Price Change	-1.68%	-18.27%	1.36%	-41.22%	-7.28%	37.28%
20-Day Average Volume (Shares)	4,065,054	95,043	1,917,443	531,858	14,458,342	1,948,295
EPS F1 Estimate 1-Week Change	-0.16%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.16%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	0.23%	2.19%	4.14%	-49.48%	-1.64%	9.24%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	NA	0.00%	0.00%

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	A
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

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Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.