

PerkinElmer, Inc. (PKI)

\$150.69 (As of 06/18/21)

Price Target (6-12 Months): **\$158.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/04/21)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: B

Growth: A

Momentum: D

Summary

PerkinElmer witnessed robust core segmental performance in the first quarter of 2021. Strong growth in Europe and United States is also encouraging. In March 2021, PerkinElmer completed the acquisition of Oxford Immunotec Global Plc, which will enable the company to expand its portfolio of advanced infectious disease testing solutions by including tuberculosis detection product line. Notably, COVID-related products and services contributed \$550 million in the first quarter. Expansion in both margins buoy optimism. A raised full-year 2021 outlook is a key highlight. A strong liquidity position is an added plus. PerkinElmer's results in the first quarter were better-than-expected. Over the past three months, the stock outperformed its sector. Yet, PerkinElmer continues to make acquisitions, which increases integration risks.

Price, Consensus & Surprise



Data Overview

52-Week High-Low **\$162.70 - \$93.23**

20-Day Average Volume (Shares) **661,037**

Market Cap **\$16.9 B**

Year-To-Date Price Change **5.0%**

Beta **1.11**

Dividend / Dividend Yield **\$0.28 / 0.2%**

Industry **Instruments - Scientific**

Zacks Industry Rank **Bottom 11% (224 out of 252)**

Last EPS Surprise **22.8%**

Last Sales Surprise **1.2%**

EPS F1 Estimate 4-Week Change **0.6%**

Expected Report Date **07/27/2021**

Earnings ESP **3.8%**

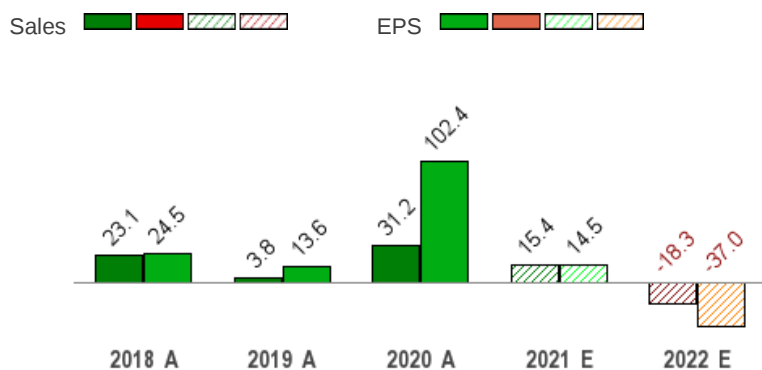
P/E TTM **13.3**

P/E F1 **15.9**

PEG F1 **1.1**

P/S TTM **3.8**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	823 E	861 E	859 E	967 E	3,570 E
2021	1,308 A	1,113 E	955 E	958 E	4,367 E
2020	652 A	812 A	964 A	1,355 A	3,783 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.41 E	\$1.42 E	\$1.45 E	\$1.62 E	\$5.98 E
2021	\$3.72 A	\$2.40 E	\$1.71 E	\$1.62 E	\$9.50 E
2020	\$0.67 A	\$1.57 A	\$2.09 A	\$3.96 A	\$8.30 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 06/18/2021. The report's text and the

analyst-provided price target are as of 06/21/2021.

Overview

Headquartered in Waltham, MA, PerkinElmer, Inc. provides scientific instruments, consumables, and services to pharmaceutical, biomedical, environmental testing, chemical, and general industrial markets worldwide.

For the Diagnostics market, the company offers products that are used to detect genetic disorders from pre-conception to early childhood. The company also provides digital x-ray flat panel detectors and infectious disease testing solutions. For the Research market, the company offers reagents, liquid handling and detection, and imaging technologies that are used by researchers in the drug discovery process.

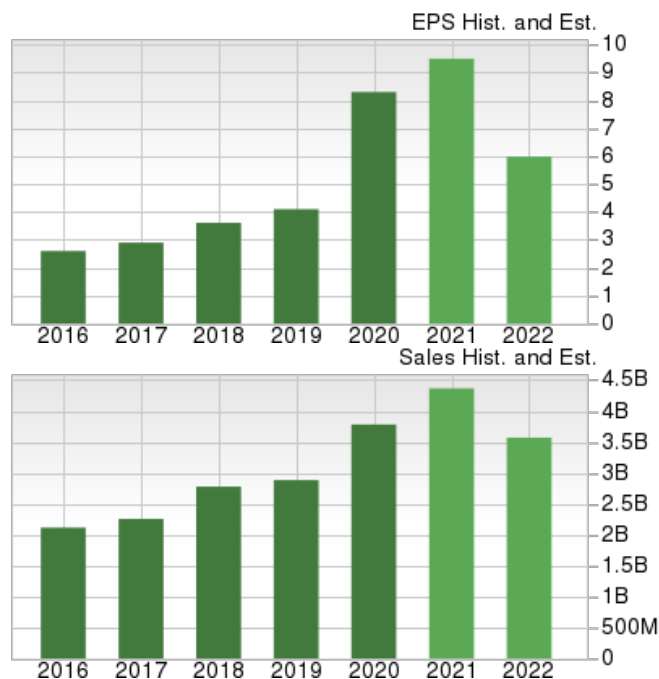
In the Discovery & Analytical Solutions (DAS) segment, PerkinElmer has two operating segments – Human Health and Environmental Health. In recent past, the company realigned its business structure. OneSource, the company's multivendor laboratory service business that serves the life sciences end market, was moved from the Environmental Health segment into the Human Health segment.

The Human Health segment focuses on developing diagnostics, tools and applications, which help to detect diseases earlier and more accurately. The Human Health segment serves two end markets: diagnostics and research.

The Environmental Health segment offers products and services that help in producing safer food and consumer products, securing environment and using energy more efficiently. The segment serves three end markets - laboratory services, environmental and Industrial. The company's environmental solutions help in maintaining the wellbeing of air, water, soil and food. PerkinElmer's environmental applications help its customers comply with regulatory requirements and maintain industry standards by detecting harmful substances in water, adulterants in food, toxic metals in toys, counterfeits in medicine and many other consumer products.

2020 at a Glance

In 2020, the company posted revenues worth \$3.78 billion, up 31.2% on a year-over-year basis. In 2020, Discovery & Analytical Solutions (DAS) revenues totaled \$1.72 billion (46% of net revenues) and Diagnostics' revenues came in at \$2.07 billion (54%).



Reasons To Buy:

- ▲ **Shares Up:** Over the past three months, shares of PerkinElmer have gained 17.6%, outperforming the sector's growth of 9.7%. Wide array of products, global exposure and strength in emerging markets continue to favor the stock.

Notably, COVID-related products and services contributed \$550 million in the first quarter primarily driven by the company's PCR tests and RNA extraction solutions, and its turnkey Lab-In-A-Lab testing solutions in the state of California and the U.K. In the first quarter, PerkinElmer delivered excellent financial performance. The company witnessed revenue growth of 101% (and 92% on organic basis). Moreover, it is optimistic about the receipt of an Emergency Use Authorization (EUA) from the FDA during the quarter under review to test for asymptomatic individuals. The company expects COVID surveillance testing to remain important in the near future. Further, its launch of the first cell painting kit as part of its new portfolio of PhenoVue cellular imaging reagents favors the stock.

An expanding product portfolio, margin expansion and accretive acquisitions provides potential growth opportunity for PerkinElmer.

- ▲ **Focus on Artificial Intelligence (AI):** The use of AI by healthcare companies has been a latest and popular trend. Management at PerkinElmer have introduced image analysis in the high-content screening and immunodiagnostic businesses, for better determination of the quality of grain in the food business and for applying AI in the company's services business to help to optimize its customers' laboratory productivity across all of its business segments — DAS and Diagnostics.

In July 2020, PerkinElmer introduced two online, free-access PerkinElmer COVID-19 Data Dashboards in order to aid the global scientific community to speed up the discovery of COVID-19 antivirals and vaccines. These dashboards are powered by PerkinElmer's data analytics and data visualization solutions, thereby helping researchers more quickly and easily to support the vast amounts of drug compound and clinical trial data that exist throughout reliable, yet disparate, sites and sources. These dashboards are backed by PerkinElmer's Signals Lead Discovery and the TIBCO Spotfire advanced analytics platform (with built in artificial intelligence functionality).

- ▲ **Broad Spectrum of Products:** PerkinElmer delivers a comprehensive suite of scientific informatics and software solutions to aggregate data into actionable insights in an automated and scalable way. Per management, PerkinElmer spent an incremental \$25 million in people and digital capabilities, while investing above \$200 million in R&D so that the creation of a robust pipeline of new products across a full suite of technologies continues to progress.

In February, PerkinElmer introduced the first cell painting kit as part of its new portfolio of PhenoVue cellular imaging reagents. The new range of reagents leverages PerkinElmer's experience in cellular imaging and high-content screening and works along with the company's microplates, automation, software and industry-leading high-content screening instruments. The whole screening workflow will enable researchers to better understand disease and create more precise therapies and drugs to treat them.

In March 2021, the company introduced two Research Use Only (RUO) solutions — PKamp VariantDetect SARS-CoV-2 RT-PCR Assay and Next Generation Sequencing-based NEXTFLEX Variant-Seq SARS-CoV-2 Kit — to detect genomic mutations reported in connection to SARS-CoV-2 variants. Notably, laboratories can utilize these assays through nucleic acid extracted from samples that tested positive earlier. Also in the same month, PerkinElmer's company Horizon Discovery recently expanded its gene editing and modulation portfolio to include a new family of CRISPR modulation (CRISPRmod) reagents for CRISPR interference (CRISPRi).

Also in March, the company unveiled its ONE Pesticide CRM Reagent and Consumable Kit for cannabis & hemp testing. ONE Pesticide solution boosts cannabis & hemp testing experience with more than 70 ready-to-use certified calibration levels.

- ▲ **Improving Margins:** PerkinElmer's gross and operating margin continues to improve primarily on the back of productivity initiatives and volume leverage. The new product introductions are expected to improve product mix thereby enhancing gross margin. This coupled with stringent cost control will continue to drive operating margin in the near term.

In the first quarter, adjusted gross profit in the quarter amounted to \$809.7 million, up 148.9% year over year. Adjusted gross margin, as a percentage of revenues was 61.9%, up 1200 basis points (bps) year over year. Adjusted operating income was \$541.8 million, which skyrocketed 443.9% from the year-ago quarter. Adjusted operating margin, as a percentage of revenues was 41.4%, up 2610 bps.

- ▲ **Acquisitions and Divestments:** Acquisitions and strategic partnerships have been key catalysts for PerkinElmer over the years. In May 2021, PerkinElmer inked a deal to acquire Nexcelom Bioscience for an amount of \$260 million in cash. The buyout is anticipated to get completed during the second quarter of 2021. By bringing both these companies together, PerkinElmer will be able to expand its efforts to help academic, government and biopharmaceutical organizations in simplifying their complete workflows and lend support to efforts to advance time to target and time to market for novel therapies.

In January 2021, PerkinElmer entered into an agreement to acquire Oxford Immunotec Global Plc for a total transaction value of \$591 million. Notably, the buyout was completed on Mar 9, 2021. The acquisition will enable PerkinElmer to expand its portfolio of advanced infectious disease testing solutions by including tuberculosis detection product line. Moreover, the deal will enable PerkinElmer to merge its channel expertise and testing capabilities with Oxford Immunotec's T Cell immunology with its proprietary test kits for latent tuberculosis.

Notably, the addition of Horizon Discovery, Omni and most recently Oxford Immunotec not only boosts PerkinElmer's presence but also

paves the way for new niches in high-growth areas where substantial opportunity can be seen in the future.

▲ **Stable Liquidity Position:** PerkinElmer exited first-quarter 2021 with cash and cash equivalents amounting to \$988.2 million, up from \$402 million sequentially. Meanwhile, the company's long-term debt amounted to \$2.22 billion in the first quarter, up from \$1.61 billion sequentially. The long-term debt level is significantly higher than the quarter's cash and cash equivalent level. However, we can see that the current debt level of \$358.4 million, down from \$380.9 million sequentially, is in fact noticeably lower than the cash level. This is good news in terms of the company's solvency level as, at least during the year of economic downturn, the company has sufficient cash for debt repayment.

Debt comparison with the industry is, however, unfavorable as industry's total debt of \$1.37 billion is much lower than the company's debt level.

The quarter's total debt-to-capital ratio of 0.39 stands at a moderately high level, indicating a leveraged balance sheet. Moreover, it represents a sequential increase from 0.35 at the end of 2020. This compares favorably with the total debt-to-capital ratio of the industry, which stands at a higher level of 0.47. The overall data concludes that in terms of solvency level of the company, the picture is encouraging.

The times interest earned for the company stands at 28.3%, representing a sequential increase from 13.6% at the end of 2020. This, however, compares unfavorably with the times interest earned for the industry which stands at a higher level (28.5%).

In the reported quarter, the company incurred an expense of \$7.9 million as payments to shareholders. The current payout ratio stands at a low level of 2.5%, representing a sequential decrease from 3.4% from the end of 2020. Amid the pandemic-led economic crisis, if production and supply halt along with lockdowns continue through the next few months, the company might find paying its regular quarterly dividends to be over-burdened. However, this compares unfavorably with the payout rate of the industry which stands at a lower level (2%).

Reasons To Sell:

- ▼ **Sluggish European Macro-environment:** International operations contribute majority of PerkinElmer's top-line growth. Lackluster academic end market in Europe, coupled with issues related to third party logistics provider in have been negatively impacting organic revenue growth of the company.

Revenues in the four major economies- United Kingdom, Germany, Italy and France have been witnessing lackluster performances since long.

The company continues to expect international operations to represent a substantial portion of revenue in the future. However sluggish European macro-environment and restrained spending on research are significant challenges that will keep company's top-line growth under pressure.

- ▼ **Foreign Exchange Volatility:** Increasing exposure to the international markets enhances the risk of foreign exchange volatility. The fluctuations in currency exchange rates can adversely impact the company's international sales. Due to the sluggish European economy, future revenues and earnings are likely to be affected adversely if the company does not hedge from exposure to currency fluctuations.

- ▼ **Integration Risks:** PerkinElmer continues to acquire a large number of companies. While this improves revenue opportunities, it adds to integration risks. The frequent acquisitions can also negatively impact its balance sheet in the form of a high level of goodwill and intangible assets. Frequent acquisitions are also a distraction for management and impacts organic growth.

Unfavorable foreign exchange, a sluggish European macro environment and leveraged balance sheet are primary concerns for PerkinElmer.

Last Earnings Report

PerkinElmer Q1 Earnings and Revenues Surpass Estimates

PerkinElmer reported first-quarter 2021 adjusted earnings per share of \$3.72, which beat the Zacks Consensus Estimate of \$3.03 per share by 22.8%. Moreover, the bottom line witnessed significant improvement compared with the year-ago quarter.

Revenue Details

Based in Waltham, MA, this leading MedTech company reported revenues of \$1.31 billion, up 100.4% from the year-ago quarter and 92% organically. Adjusted revenues in the reported quarter were \$1.31 billion, up 100.6% year over year. The top line also surpassed the Zacks Consensus Estimate by 13.7%.

Segment Details

Discover & Analytics Solutions

At this segment, revenues were \$455 million, reflecting a rise of 14.3% from the year-ago quarter. Organically, the segment saw an increase of 6% in the quarter under review. Per management, broad-based growth across life sciences, food and applied markets contributed to the upside.

Coming to profits at the DAS segment, the company reported first-quarter 2021 adjusted operating income of \$76 million, up 40.7% from the year-ago quarter.

Diagnostics segment

Revenues at this segment amounted to \$853 million, up 235.8% on a year-over-year basis. Organically, the segment soared 227% in the first quarter.

Per management, strength in immunodiagnostics and applied genomics business drove the upside, with reproductive health business line returning to growth for the first time since fourth-quarter 2019.

Adjusted operating income in the segment totaled \$483 million, compared with \$59 million in the year-ago quarter.

Geographical Details

Per management, the major geographies witnessed a solid first quarter with Europe and the United States exhibiting triple-digit growth, while Asia Pacific recorded strong double-digit growth. China saw year-over-year improvement in the quarter under review.

Margin Analysis

Adjusted gross profit in the quarter amounted to \$809.7 million, up 148.9% year over year. Adjusted gross margin, as a percentage of revenues was 61.9%, up 1200 basis points (bps) year over year.

Adjusted operating income was \$541.8 million, which skyrocketed 443.9% from the year-ago quarter. Adjusted operating margin, as a percentage of revenues was 41.4%, up 2610 bps.

Financial Update

The company exited the first quarter with cash and cash equivalents of \$988.2 million, compared with \$402 million in the prior quarter.

During the reported quarter, net cash provided by operating activities amounted to \$473.5 million, compared with \$60.1 million in the year-ago period.

2021 Guidance

PerkinElmer has provided guidance for second-quarter 2021 and raised full-year 2021 outlook.

For second-quarter 2021, the company projects adjusted earnings per share of at least \$2.35. The Zacks Consensus Estimate is pegged at \$2.36 per share. For the same period, revenues are projected to be around \$1.11 billion. The Zacks Consensus Estimate for the same stands at \$1.05 billion.

For 2021, the company expects adjusted earnings per share to be \$9.40 (up from the previous estimate of at least \$8.50). The Zacks Consensus Estimate is pegged at \$8.60 per share.

Revenues are anticipated to be \$4.37 billion (up from the prior estimate of at least \$4.08 billion).

Quarter Ending 03/2021

Report Date	May 04, 2021
Sales Surprise	1.21%
EPS Surprise	22.77%
Quarterly EPS	3.72
Annual EPS (TTM)	11.34

Recent News

PerkinElmer Inks Agreement to Acquire IDS: May 17, 2021

PerkinElmer announced entering an agreement with Immunodiagnostic Systems Holdings PLC (IDS) on the terms of a recommended all cash offer whereby PerkinElmer will acquire the latter. The buyout is expected to enable PerkinElmer to grow its overall Diagnostics business, specifically its immunodiagnostics segment.

PerkinElmer, COVID-19 Lighthouse Laboratory Extends Contract to Boost COVID-19 Solutions: May 27, 2021

PerkinElmer announced that its contract to operate the NHS Test and Trace Newport Lighthouse laboratory has been extended through March 2022. The partnership between PerkinElmer and NHS Test and Trace, the COVID-19 Lighthouse laboratory in Newport, South Wales, was brought online in October 2020.

PerkinElmer Boosts Cell Biology Portfolio With Buyout: May 12, 2021

PerkinElmer inked a deal to acquire Nexcelom Bioscience for an amount of \$260 million in cash. Notably, the buyout is anticipated to get completed during the second quarter of 2021. Per management, PerkinElmer is optimistic about adding Nexcelom's experience and technologies in drug development to its passion and solutions for drug discovery.

Valuation

PerkinElmer's shares are up 5% in the year-to-date period while up 53.7% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 21.9% in the year-to-date period while that in the Zacks Computer and Technology sector are up 14.9%. Over the past year, stocks in the Zacks sub-industry and sector are up 70.5% and up 44.9%, respectively.

The S&P 500 index is up 11.8% in the year-to-date period and up 35.7% the past year.

The stock is currently trading at 19.2X Forward 12-months earnings, which compares to 29.7X for the Zacks sub-industry, 27.3X for the Zacks sector and 21.4X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.1X and as low as 14.3X, with a 5-year median of 20.5X.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$158 price target reflects 20.2X forward 12-months earnings.

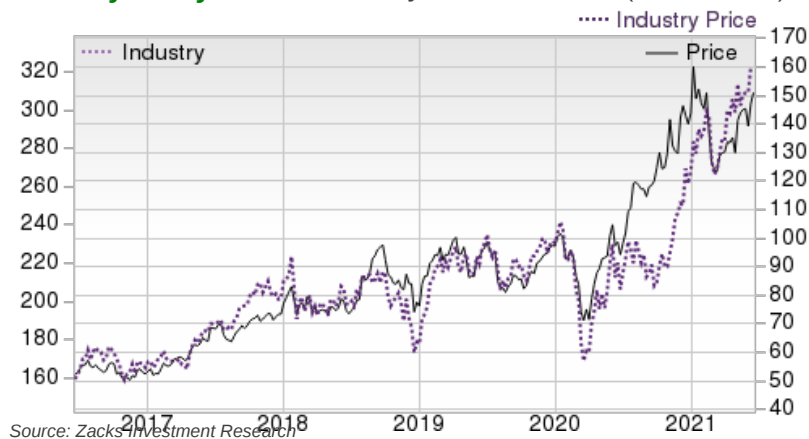
The table below shows summary valuation data for PKI.

Valuation Multiples - PKI					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	19.22	29.68	27.32	21.36
	5-Year High	27.12	29.68	28.33	23.83
	5-Year Low	14.33	20.12	16.98	15.31
	5-Year Median	20.51	23.82	20.23	18.05
P/S F12M	Current	4.23	7.44	4.87	4.63
	5-Year High	4.59	7.44	4.87	4.74
	5-Year Low	2.28	4.17	2.80	3.21
	5-Year Median	3.29	5.45	3.53	3.72
P/B TTM	Current	4.22	13.37	9.99	6.93
	5-Year High	5.12	13.46	10.09	7.08
	5-Year Low	2.56	6.16	4.44	3.84
	5-Year Median	3.50	8.73	5.86	5.02

As of 06/18/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 11% (224 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Agilent Technologies, Inc. (A)	Neutral	2
Abbott Laboratories (ABT)	Neutral	4
Becton, Dickinson and Company (BDX)	Neutral	4
BioRad Laboratories, Inc. (BIO)	Neutral	3
Bruker Corporation (BRKR)	Neutral	3
QIAGEN N.V. (QGEN)	Neutral	3
Thermo Fisher Scientific Inc. (TMO)	Neutral	3
Hologic, Inc. (HOLX)	Underperform	5

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

Industry Comparison Industry: Instruments - Scientific				Industry Peers		
	PKI	X Industry	S&P 500	BRKR	QGEN	TMO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	A	-	-	A	C	A
Market Cap	16.89 B	337.33 M	29.25 B	10.95 B	10.74 B	189.62 B
# of Analysts	6	4.5	12	6	5	9
Dividend Yield	0.19%	0.00%	1.38%	0.22%	0.00%	0.22%
Value Score	B	-	-	C	B	B
Cash/Price	0.06	0.06	0.06	0.07	0.07	0.03
EV/EBITDA	14.72	23.11	16.74	35.67	15.67	20.06
PEG F1	1.15	2.40	2.04	2.01	1.11	1.12
P/B	4.22	4.22	3.99	11.16	3.77	5.41
P/CF	14.26	27.20	16.91	38.35	14.32	18.87
P/E F1	16.03	34.22	20.66	38.42	19.06	21.91
P/S TTM	3.81	4.49	3.31	5.17	5.20	5.28
Earnings Yield	6.30%	2.76%	4.76%	2.60%	5.24%	4.56%
Debt/Equity	0.55	0.51	0.66	0.73	0.68	0.53
Cash Flow (\$/share)	10.57	0.51	6.83	1.89	3.29	25.57
Growth Score	A	-	-	A	B	A
Historical EPS Growth (3-5 Years)	25.30%	8.96%	9.59%	7.37%	14.80%	20.37%
Projected EPS Growth (F1/F0)	14.40%	27.33%	21.58%	39.39%	14.98%	12.63%
Current Cash Flow Growth	69.85%	-5.26%	0.99%	-10.19%	23.97%	39.75%
Historical Cash Flow Growth (3-5 Years)	24.06%	13.45%	7.28%	7.15%	10.23%	16.81%
Current Ratio	1.76	1.98	1.39	2.06	3.34	2.53
Debt/Capital	35.67%	35.36%	41.51%	42.17%	40.37%	34.71%
Net Margin	24.19%	14.91%	11.95%	9.63%	21.72%	22.08%
Return on Equity	36.60%	31.52%	16.48%	26.44%	21.06%	28.95%
Sales/Assets	0.59	0.70	0.51	0.71	0.36	0.55
Projected Sales Growth (F1/F0)	15.44%	12.59%	9.41%	16.18%	21.59%	10.29%
Momentum Score	D	-	-	A	F	C
Daily Price Change	0.67%	-0.71%	-1.31%	-0.71%	0.75%	-0.74%
1-Week Price Change	2.64%	-0.72%	-1.91%	-1.67%	-1.57%	3.72%
4-Week Price Change	4.09%	4.63%	0.25%	4.63%	-1.36%	4.35%
12-Week Price Change	16.32%	14.02%	4.83%	14.02%	-4.31%	4.87%
52-Week Price Change	53.20%	65.92%	34.50%	75.93%	10.66%	36.78%
20-Day Average Volume (Shares)	661,037	122,297	1,830,063	805,985	639,908	2,134,291
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.67%	-0.32%	-0.04%
EPS F1 Estimate 4-Week Change	0.64%	0.00%	0.01%	1.49%	-0.32%	0.10%
EPS F1 Estimate 12-Week Change	11.50%	6.61%	3.48%	6.27%	-0.96%	1.34%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS Q1 Estimate Monthly Change	0.93%	0.00%	0.00%	6.48%	-0.32%	1.61%
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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	B
Growth Score	A
Momentum Score	D
VGM Score	A

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

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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 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.