

Planet Fitness (PLNT)

\$76.87 (As of 06/24/21)

Price Target (6-12 Months): **\$65.00**

Long Term: 6-12 Months

Zacks Recommendation: Underperform

(Since: 05/21/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

5-Strong Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: F

Summary

Shares of Planet Fitness have underperformed the industry so far this year. The dismal performance can be primarily attributed to the coronavirus pandemic. Although the company has implemented enhanced sanitation measures and social-distancing protocols upon reopening, traffic still remains below pre-pandemic levels. Moreover, slowdown in new store developments and remodels as well as lower replacement equipment sales due to the pandemic remains a concern. Owing to the uncertainty and significant business impacts of COVID-19, the company has not provided any guidance for 2021. However, during the last reported quarter the company witnessed an uptick in membership sign-ups. Meanwhile, earnings estimates for 2021 have remained unchanged over the past 30 days.

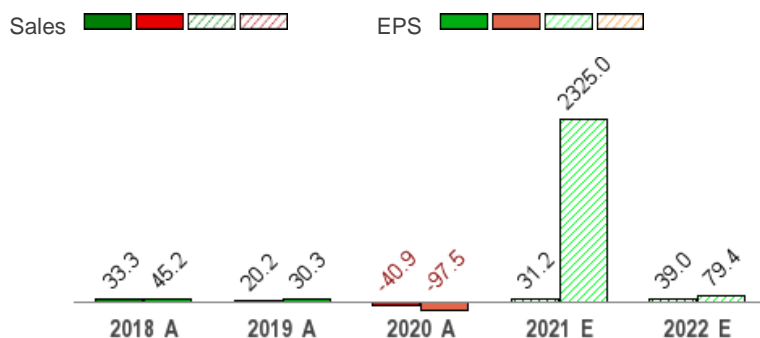
Price, Consensus & Surprise



Data Overview

| | |
|--------------------------------|---------------------------------|
| 52-Week High-Low | \$90.34 - \$49.42 |
| 20-Day Average Volume (Shares) | 801,911 |
| Market Cap | \$6.7 B |
| Year-To-Date Price Change | -1.0% |
| Beta | 1.25 |
| Dividend / Dividend Yield | \$0.00 / 0.0% |
| Industry | Leisure and Recreation Services |
| Zacks Industry Rank | Bottom 29% (178 out of 252) |

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|-------|-------|-------|-------|---------|
| 2022 | 168 E | 181 E | 188 E | 197 E | 742 E |
| 2021 | 112 A | 121 E | 137 E | 164 E | 534 E |
| 2020 | 127 A | 40 A | 105 A | 134 A | 407 A |

EPS Estimates

| | Q1 | Q2 | Q3 | Q4 | Annual* |
|------|----------|-----------|----------|----------|----------|
| 2022 | \$0.32 E | \$0.43 E | \$0.43 E | \$0.50 E | \$1.74 E |
| 2021 | \$0.10 A | \$0.22 E | \$0.29 E | \$0.37 E | \$0.97 E |
| 2020 | \$0.16 A | -\$0.32 A | \$0.02 A | \$0.17 A | \$0.04 A |

*Quarterly figures may not add up to annual.

| | |
|-------------------------------|------------|
| Last EPS Surprise | -41.2% |
| Last Sales Surprise | -9.7% |
| EPS F1 Estimate 4-Week Change | -0.3% |
| Expected Report Date | 08/03/2021 |
| Earnings ESP | 0.0% |
| P/E TTM | NA |
| P/E F1 | 79.3 |
| PEG F1 | 3.7 |
| P/S TTM | 17.0 |

The data in the charts and tables, except sales and EPS estimates, is as of 06/24/2021. The report's text, and the analyst-provided sales

estimates, EPS estimates and price target are as of 06/25/2021.

Overview

Planet Fitness, headquartered in Hampton, NH, was formed in 1992. It is one of the leading franchisors and operators of fitness centers in the United States. As of Mar 31, 2021, the company had approximately 14.1 million members as well as 2,146 stores in 50 states, the District of Columbia, Puerto Rico, Canada, Panama, Mexico and Australia. As of Mar 31, 2021, more than 95% of all franchise stores were owned and operated by a franchisee group.

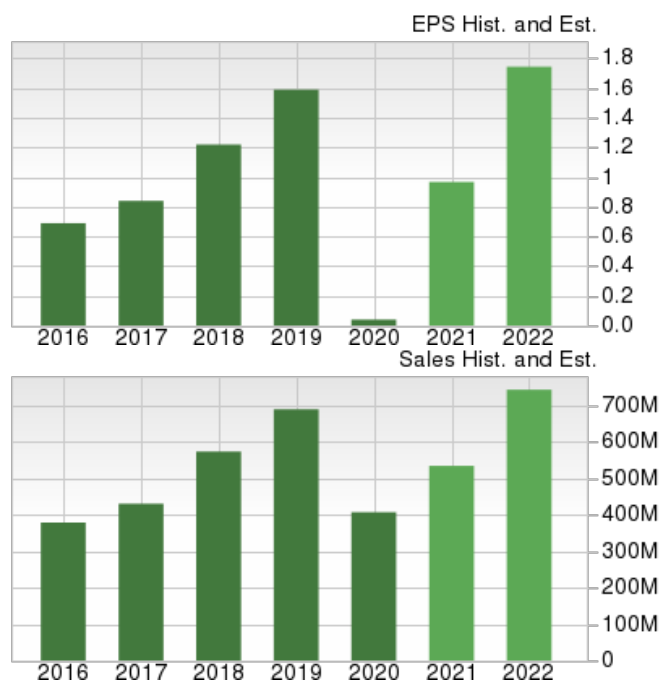
Planet Fitness reports its financial numbers under three segments — Franchise, Corporate-Owned Stores, and Equipment.

Franchise Segment (50.7% of total revenues in 2020): The segment is involved in franchising business in the United States, Puerto Rico, Canada, the Dominican Republic, and Panama. The segment generates revenues thorough royalty fees, franchise fees, placement revenue, other fees and commission income.

Corporate-Owned Store Segment (28.8%): The segment generates revenues through monthly membership charges, enrollment, annual and prepaid fees paid members, and retail sales.

Equipment Segment (20.5%): Revenues at this segment are realized through sales of fitness equipment to franchisee-owned stores in the United States. Notably, franchisee-owned stores replace its equipment after five to seven years based on the life of a specific equipment.

Planet Fitness has enough liquidity to survive the coronavirus pandemic for some time. As of Mar 31, 2021, the company's cash balance totaled \$445.6 million compared with \$439.5 million as of Dec 31, 2020. Although the coronavirus pandemic has negatively impacted the company's operations and cash flows during the first quarter, the company stated that it has enough liquidity to meet its debt service requirements and obligations under its tax benefit arrangements, capital expenditures and working capital needs for at least the next 12 months.



Reasons To Sell:

- ▼ **Coronavirus Likely to Hurt 2021 Results:** The coronavirus pandemic has affected the company's business on a large scale. Owing to the rising number of cases, several of its stores had to be closed again to comply with local guidelines. During the first quarter, the company witnessed temporary closures in Canada. Although the company has implemented enhanced sanitation measures and social-distancing protocols upon reopening, traffic is still below pre-pandemic levels. Moreover, slowdown in new store developments and remodels and lower replacement equipment sales due to the pandemic are a concern. Owing to the uncertainty and significant business impacts of COVID-19, the company has not provided any guidance for 2021.
- ▼ **Q1 Top & Bottom Lines Decline Sharply:** Planet Fitness reported dismal first-quarter 2021 results, with earnings and revenues missing the Zacks Consensus Estimate. Moreover, the top and the bottom line declined sharply year over year owing to the coronavirus pandemic. The company reported adjusted earnings per share of 10 cents compared with 16 cents reported in the prior-year quarter. The top line also declined 12.1% from the year-ago quarter's levels primarily due to dismal performance by the Corporate-owned Stores and Equipment segments.
- ▼ **Cyclical Nature of the Industry is Concerning:** The leisure industry is cyclical as worsening global economic conditions might dent Planet Fitness' revenues and profits. Markedly, consumer demand for services is closely linked to the performance of the general economy and also sensitive to business and personal discretionary spending levels.
- ▼ **Economic Slowdown & Other Risks:** Planet Fitness relies heavily on franchisees rather than corporate-owned stores. While this franchise business helps in reducing the company's costs, it bears a number of risks that can lead to a crack in the business model. First, only a small portion of revenues comes from equipment sales and corporate-owned stores. In case of an economic slowdown, wherein demand fluctuates, Planet Fitness will be exposed to the threat of reduced royalty fees and lesser sales from equipment. Second, Planet Fitness' business rests on its brand image. Increasing reliance on franchisee exposes the company to the risk of blemishing its own brand name, in case any third-party franchisee action increases. Also, the company's business could be damaged in the event of any third-party misappropriation, dilution, infringement or other violation of intellectual property.

Slowdown in new store developments owing to the pandemic, remains a concern.

Risks

- **Low-cost Business Model:** Although the nature of the business is traditional/generic, the company's strategy to attract customers with a \$10-a-month membership fee and a no-frills atmosphere has helped it gain a significant share in existing market and expand market size. The low-cost model has also helped Planet Fitness to tap into the market that is enthusiastic enough to join a cheaper second gym. Given the financial strength of its business model, the company witnessed no permanent store closures and franchisee bankruptcies amid the ongoing pandemic. Backed by the pace of vaccine rollouts along with lower anticipation of temporary shutdowns, the company remains bullish on its projection of 75-100 openings in 2021. Nonetheless, we expect franchisees to capitalize on the industry consolidation and favorable real estate opportunities stemming from the pandemic.
- **Reopening of Stores To Drive Growth:** Following the closure of the company's stores in March 2020, the company implemented a reopening approach on May 1, 2020. Notably, it reopened two stores in Georgia and one in Utah, in accordance with local official guidelines. Keeping in mind the safety of its team and members, the company plans to make additional store re openings in the coming periods as well. As of March 31, 2021, 2,110 stores had reopened, of which 2,009 were franchisee-owned stores and 101 were corporate-owned stores.
- **Strategic Efforts Bode Well:** In an effort to expand its presence, Planet Fitness has been focusing on strategic partnerships and international expansions. The company collaborated with iFit, a leader in online streaming home workouts. With this partnership, the company also initiated a series of new workouts with minimal or no equipment, thereby making it available to everyone exclusively on the Planet Fitness App. It will be available for both members and non-members free of cost. In Jan 2020, the company also joined forces with Biggest Loser, thus expanding its reach to viewers interested in health and fitness. Despite the coronavirus crisis, management indicated that several private-equity backed franchise groups have expressed interest in further investments in the Planet Fitness brand. In January 2021, the company initiated promotions targeting casual first-time gym goers.

During the first-quarter 2021, the company witnessed an uptick in membership sign-ups. The positive trend was primarily backed by the membership acquisition-driven marketing strategies along with wider accessibility of the COVID-19 vaccine. Due to this, the company has not only regained nearly 100% of the lost members (in 2020) but have also registered a 40% increase in membership compared with first-quarter 2020 levels. As of Mar 31, 2021, the company had approximately 14.1 million members indicating a rise of 6,00,000 members from first-quarter 2020.

- **Increased Focus on Digitalization:** Apart from attracting new members to its brand, engaging existing members via its mobile app is a priority. The company intends to achieve this by focusing on driving downloads, app usage and enhanced functionality such as referral incentives, in-app messaging, notifications and enhanced account management tools. Moreover, features such as upgrades from classic white card membership to black card are an opportunity to drive rate. Word of mouth marketing, driven by vast membership base through the referral feature in the app, extends the reach of its marketing machine. Nonetheless, the company intends to capitalize its size and scale to further expand its brand awareness through its 14.1 million members. Planet Fitness has accelerated its digital initiatives during the coronavirus-induced shutdowns. During the second quarter of 2020, the company rolled out additional features like in-app messaging and crowd meter detector to enhance customer convenience for better workouts. Backed by the initiatives, app adoption during first-quarter 2021 climbed to nearly 50% of its total membership base, up from 40% in the previous quarter. Meanwhile, the company is witnessing solid traffic in its digital platform from both existing and non-existing members, particularly for iFit content. To encash on the positive trend, the company has announced a minority stake in the iFIT Health & Fitness business, during first-quarter 2021. This enables Planet Fitness to boost its digital content offerings along with complementary mind and body wellness categories. Also, the company's United We Move workouts have been witnessing positive response on Facebook across the globe.

Given solid customer engagement in its fitness content, the company is currently testing a digital only subscription membership for \$5.99/month through its mobile app "PF plus." In this, the company intends to provide more premium content apart from the free content, which is already available. This includes live daily workouts, digital fitness classes (accessible through home and gym) and aggressive workout series to help customers advance over time. Markedly, with this initiative, the company is optimistic regarding the future conversion of non-members as well. During the first quarter, the company witnessed more than 30% of PF+ members joining Planet Fitness locations compared with 20% in fourth-quarter 2020. Notably, higher member participation is being witnessed with respect to the company's core bricks-and-mortar offerings. Going forward, the company intends to initiate PF+ in limited stores to test the price elasticity for both of its Classic and Black Card memberships. The tests are likely to take place throughout 2021, with possible offerings expected by early 2022.

- **Solid Brand Presence:** Planet Fitness is one of the largest and fastest growing franchisors as well as operators of fitness centers in the United States. As of Mar 31, 2021, the company had approximately 14.1 million members as well as 2,146 stores in 50 states, the District of Columbia, Puerto Rico, Canada, Panama, Mexico and Australia.
- **Enough Liquidity to Tide Over Coronavirus Crisis:** Planet Fitness stated it has enough liquidity to survive the coronavirus pandemic for some time. As of Mar 31, 2021, the company's cash balance totaled \$445.6 million compared with \$439.5 million as of Dec 31, 2020. Although the coronavirus pandemic has negatively impacted the company's operations and cash flows during the first quarter, the company stated that it has enough liquidity to meet its debt service requirements and obligations under its tax benefit arrangements, capital expenditures and working capital needs for at least the next 12 months. Meanwhile, long-term debt (net of current maturities) during the first quarter amounted to \$1,673.6 million compared with \$1,676.4 million at 2020-end.

Last Earnings Report

Planet Fitness Q1 Earnings & Revenues Miss Estimates

Planet Fitness reported dismal first-quarter 2021 results, with earnings and revenues missing the Zacks Consensus Estimate as well as declining on a year-over-year basis. Notably, the top and the bottom line missed the Zacks Consensus Estimate for the fifth straight quarter.

However, the company reported sequential improvements in net member growth. Notably, continuity in vaccine rollouts along with mind and body wellness offerings has been driving membership trends as the company stated that March 2021 memberships have exceeded 2019 levels. Meanwhile, the company expanded its existing collaboration with iFIT to boost its digital offerings. Markedly, the company is optimistic in this regard as the collaboration is likely to pave path for growth in terms of digital content and wellness offerings.

Quarter Ending 03/2021

| | |
|------------------|--------------|
| Report Date | May 06, 2021 |
| Sales Surprise | -9.66% |
| EPS Surprise | -41.18% |
| Quarterly EPS | 0.10 |
| Annual EPS (TTM) | -0.03 |

Earnings & Revenues Discussion

During the first quarter, the company reported adjusted earnings per share (EPS) of 10 cents, which missed the Zacks Consensus Estimate of 17 cents by 41.2%. Notably, the bottom line declined 37.5% from 16 cents reported in the prior-year quarter.

Total adjusted EBITDA at the end of the first quarter deteriorated to \$43.7 million compared with \$46.5 million in the year-ago quarter.

Quarterly revenues of \$111.9 million lagged the consensus mark of \$124 million by 9.7%. The top line also declined 12.1% from the year-ago quarter's levels primarily due to the dismal performance across the Corporate-owned Stores and Equipment segments.

Segmental Performance

During first-quarter 2021, Franchise segment revenues increased 9.5% year over year to \$64.1 million. Moreover, EBITDA in the Franchise segment increased 12.1% year over year to \$41.2 million.

The Corporate-owned Stores segment's revenues during the first quarter fell 6.5% year over year to \$37.9 million. The downside was primarily due to temporary store closures and reduced membership levels owing to the pandemic. However, this was partially offset by revenues accumulated from the opening of five new corporate-owned stores (since Jan 1, 2020). Meanwhile, the segment EBITDA fell 11% year over year to \$10.7 million.

In the Equipment segment, revenues during the quarter plunged 64.7% year over year to \$9.9 million on account of lower equipment sales to new and existing franchisee-owned stores. Also, extensions for all new store development (12 months) and re-equipment investment obligations (18 months) lead to the downtrend. EBITDA in the Equipment segment slumped 71.3% year over year to \$1.8 million.

Other Financial Details

As of Mar 31, 2021, cash and cash equivalents totaled \$445.6 million compared with \$439.5 million as of Dec 31, 2020. Long-term debt (net of current maturities) amounted to \$1,673.6 million at the end of first-quarter 2021 compared with \$1,676.4 million at 2020-end.

2021 Outlook

Owing to the uncertainty tied to the crisis, the company did not provide any guidance for 2021.

Valuation

Planet Fitness' shares are down 1% in the year-to-date period but up 24.8% over the trailing 12-month period. Stocks in the Zacks sub-industry is up 30.7% but the Zacks Consumer Discretionary sector is down 0.6% in the year-to-date period. Over the past year, the Zacks sub-industry was up 85.3% while sector was up 36%.

The S&P 500 index is up 14.5% in the year-to-date period and 45.6% in the past year.

The stock is currently trading at 10.49x forward 12-month sales, which compares to 3.49x for the Zacks sub-industry, 2.67x for the Zacks sector and 4.71x for the S&P 500 index.

Over the past five years, the stock has traded as high as 12.22x and as low as 2.99x, with a 5-year median of 7.85x. Our Underperform recommendation indicates that the stock will perform worse-than the market. Our \$65 price target reflects 8.91x forward 12-month sales.

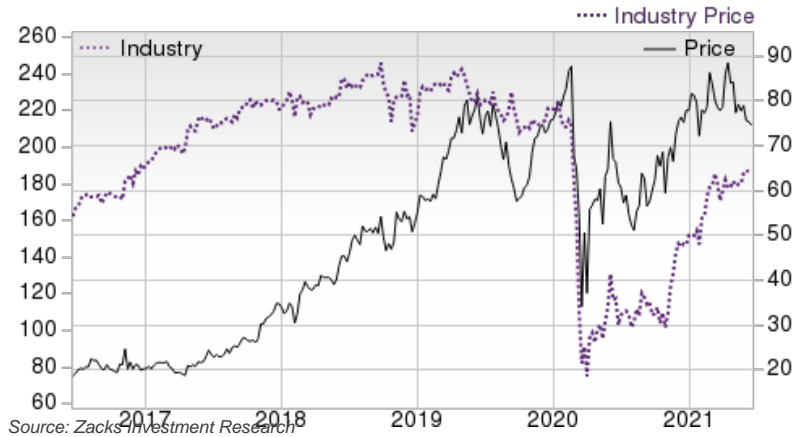
The table below shows summary valuation data for PLNT.

| Valuation Multiples - PLNT | | | | | |
|----------------------------|---------------|-------|--------------|--------|---------|
| | | Stock | Sub-Industry | Sector | S&P 500 |
| P/S F12M | Current | 10.49 | 3.49 | 2.67 | 4.71 |
| | 5-Year High | 12.22 | 3.6 | 2.95 | 4.74 |
| | 5-Year Low | 2.99 | 0.75 | 1.73 | 3.21 |
| | 5-Year Median | 7.85 | 1.8 | 2.52 | 3.72 |
| EV/EBITDA TTM | Current | 57.68 | N/A | 14.32 | 17.42 |
| | 5-Year High | 64.89 | 16.37 | 18.1 | 17.74 |
| | 5-Year Low | 12.3 | N/A | 8.35 | 9.63 |
| | 5-Year Median | 23.11 | 9.04 | 12.49 | 13.47 |
| P/CF | Current | N/A | N/A | 17.58 | 26.21 |
| | 5-Year High | 235 | 54.91 | 19.79 | 26.29 |
| | 5-Year Low | N/A | N/A | 9.42 | 12.87 |
| | 5-Year Median | 24.8 | 8.29 | 13.75 | 18.99 |

As of 06/24/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 29% (178 out of 252)



Top Peers

| Company (Ticker) | Rec | Rank |
|---|------------|------|
| Camping World Holdings Inc. (CWH) | Outperform | 1 |
| AMC Entertainment Holdings, Inc. (AMC) | Neutral | 3 |
| Bluegreen Vacations Holding Corporation (BVH) | Neutral | 3 |
| Clarus Corporation (CLAR) | Neutral | 2 |
| Cinemark Holdings Inc (CNK) | Neutral | 3 |
| Marcus Corporation The (MCS) | Neutral | 3 |
| Peloton Interactive, Inc. (PTON) | Neutral | 4 |
| SeaWorld Entertainment, Inc. (SEAS) | Neutral | 2 |

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

| Industry Comparison Industry: Leisure And Recreation Services | | | | Industry Peers | | |
|---|--------------|------------|-----------|----------------|----------|------------|
| | PLNT | X Industry | S&P 500 | AMC | CLAR | RICK |
| Zacks Recommendation (Long Term) | Underperform | - | - | Neutral | Neutral | Outperform |
| Zacks Rank (Short Term) | 5 | - | - | 3 | 2 | 1 |
| VGM Score | D | - | - | F | F | D |
| Market Cap | 6.66 B | 1.65 B | 29.99 B | 25.53 B | 767.51 M | 605.87 M |
| # of Analysts | 9 | 4.5 | 12 | 3 | 2 | 1 |
| Dividend Yield | 0.00% | 0.00% | 1.35% | 0.00% | 0.41% | 0.24% |
| Value Score | D | - | - | F | D | D |
| Cash/Price | 0.08 | 0.16 | 0.06 | 0.03 | 0.01 | 0.04 |
| EV/EBITDA | 61.77 | -2.23 | 17.12 | -8.12 | 55.93 | 58.10 |
| PEG F1 | 3.69 | 1.62 | 2.06 | NA | NA | 2.04 |
| P/B | NA | 2.22 | 4.11 | NA | 3.65 | 3.66 |
| P/CF | 104.96 | 24.99 | 17.50 | NA | 29.65 | 44.58 |
| P/E F1 | 79.63 | 24.48 | 21.14 | NA | 22.49 | 24.48 |
| P/S TTM | 17.01 | 4.65 | 3.40 | 56.84 | 3.12 | 4.81 |
| Earnings Yield | 1.26% | -3.79% | 4.66% | -5.70% | 4.45% | 4.08% |
| Debt/Equity | -2.51 | 0.50 | 0.66 | -2.41 | 0.11 | 0.70 |
| Cash Flow (\$/share) | 0.73 | -0.74 | 6.86 | -6.25 | 0.83 | 1.51 |
| Growth Score | C | - | - | F | D | C |
| Historical EPS Growth (3-5 Years) | -13.56% | -0.92% | 9.59% | NA | 812.98% | -14.68% |
| Projected EPS Growth (F1/F0) | 2,319.45% | 49.11% | 21.79% | 80.02% | 55.71% | 439.22% |
| Current Cash Flow Growth | -67.78% | -129.89% | 1.02% | -484.25% | -6.03% | -56.52% |
| Historical Cash Flow Growth (3-5 Years) | -6.25% | -6.71% | 7.28% | NA | -5.02% | -8.13% |
| Current Ratio | 4.83 | 1.44 | 1.39 | 0.64 | 3.79 | 1.13 |
| Debt/Capital | NA% | 57.24% | 41.51% | NA | 10.10% | 41.24% |
| Net Margin | -4.60% | -54.72% | 12.06% | -663.34% | 4.55% | 5.93% |
| Return on Equity | 0.00% | -28.14% | 16.59% | NA | 11.59% | 3.09% |
| Sales/Assets | 0.21 | 0.19 | 0.51 | 0.04 | 0.93 | 0.35 |
| Projected Sales Growth (F1/F0) | 31.24% | 5.10% | 9.56% | 88.88% | 32.67% | 46.09% |
| Momentum Score | F | - | - | B | F | D |
| Daily Price Change | -1.31% | 0.00% | 0.58% | -2.74% | 0.57% | -0.90% |
| 1-Week Price Change | -1.05% | -2.70% | 1.06% | 19.96% | -8.09% | -8.81% |
| 4-Week Price Change | -3.51% | -3.75% | 1.56% | 113.80% | 4.21% | -10.24% |
| 12-Week Price Change | -2.10% | 0.35% | 6.14% | 505.77% | 38.87% | 6.99% |
| 52-Week Price Change | 18.50% | 71.75% | 38.35% | 1,227.87% | 125.33% | 392.11% |
| 20-Day Average Volume (Shares) | 801,911 | 268,547 | 1,811,241 | 294,059,104 | 194,534 | 58,016 |
| EPS F1 Estimate 1-Week Change | -0.33% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| EPS F1 Estimate 4-Week Change | -0.33% | 0.00% | 0.01% | 3.10% | -1.84% | 6.59% |

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

| | | | | | | | | |
|--------------------------------|---------|---|-------|-------|---|---------|--------|--------|
| EPS F1 Estimate 12-Week Change | -12.10% | : | 8.20% | 3.54% | : | -14.69% | -3.78% | 58.05% |
| EPS Q1 Estimate Monthly Change | -1.46% | : | 0.00% | 0.00% | : | 4.24% | 0.00% | 7.61% |

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.

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.

| | |
|----------------|----------|
| Value Score | D |
| Growth Score | C |
| Momentum Score | F |
| VGM Score | D |

Disclosures

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

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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

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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 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 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.