

## Philip Morris(PM)

**\$91.07** (As of 04/09/21)

Price Target (6-12 Months): **\$96.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 05/02/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: B

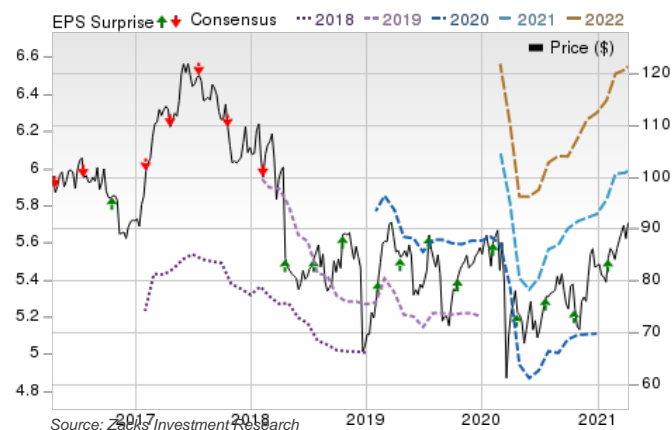
Growth: A

Momentum: D

## Summary

Shares of Philip Morris have increased and outperformed the industry in the past three months. The company has long been benefiting from its pricing power, which continued to aid its fourth-quarter 2020 results, wherein the top and the bottom line beat the Zacks Consensus Estimate. In fact, the company gained from higher combustible pricing across most regions during in the said quarter. Additionally, strength in its heated tobacco segment has been an upside. The segment has been gaining from the rising popularity of IQOS devices. Moving on, management provided an encouraging view for 2021. However, cigarette volumes have been soft for a while due to rising health consciousness and stern regulations. Moreover, the company does not expect a near-term recovery in the duty-free business due to travel-related uncertainties amid the pandemic.

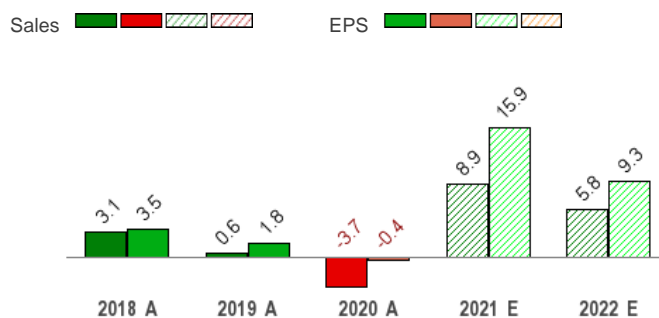
## Price, Consensus & Surprise



## Data Overview

52-Week High-Low	<b>\$91.12 - \$66.85</b>
20-Day Average Volume (Shares)	<b>4,873,149</b>
Market Cap	<b>\$141.9 B</b>
Year-To-Date Price Change	<b>10.0%</b>
Beta	<b>0.81</b>
Dividend / Dividend Yield	<b>\$4.80 / 5.3%</b>
Industry	<b>Tobacco</b>
Zacks Industry Rank	<b>Top 36% (91 out of 254)</b>

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>2.4%</b>
Last Sales Surprise	<b>0.1%</b>
EPS F1 Estimate 4-Week Change	<b>-0.1%</b>
Expected Report Date	<b>04/20/2021</b>
Earnings ESP	<b>-0.9%</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	7,778 E	8,353 E	8,632 E	8,500 E	33,040 E
2021	7,345 E	7,870 E	8,086 E	7,987 E	31,238 E
2020	7,153 A	6,651 A	7,446 A	7,444 A	28,694 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.51 E	\$1.68 E	\$1.77 E	\$1.53 E	\$6.55 E
2021	\$1.40 E	\$1.56 E	\$1.63 E	\$1.39 E	\$5.99 E
2020	\$1.21 A	\$1.29 A	\$1.42 A	\$1.26 A	\$5.17 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>17.6</b>
P/E F1	<b>15.2</b>
PEG F1	<b>1.9</b>
P/S TTM	<b>1.9</b>

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/09/2021. The report's text and the analyst-provided price target are as of 04/12/2021.

## Overview

Philip Morris International is progressing well with its business transformation in the face of consumers rising health consciousness and stern regulations to dissuade smoking. To this end, the tobacco giant has been expanding in the reduced risk products (RRPs) category, evident from the launch of IQOS (a heating tobacco device) that counts amongst one of the leading RRP in the industry. We note that RRP formed 26% of the company's total revenues in fourth-quarter 2020. Further, RRP revenues during 2020 included 7% contribution from IQOS devices. Nevertheless, the company's combustible category presently remains its major revenue contributor.

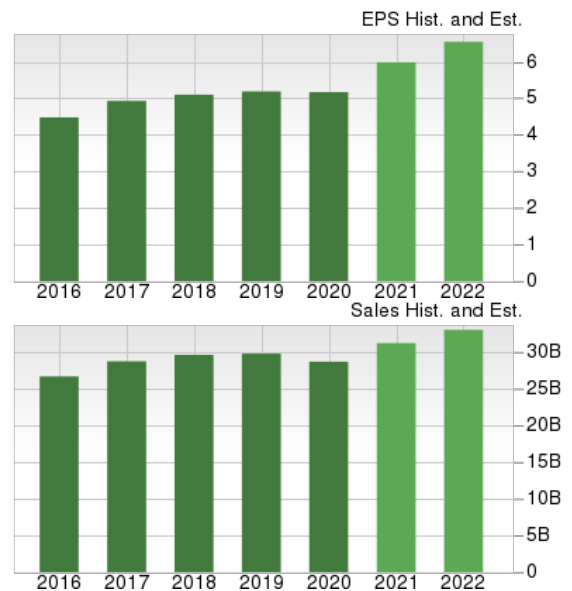
Philip Morris manufactures and sells cigarettes, other tobacco products and other nicotine-containing products outside the United States in more than 180 countries. Also, the company ships a form of its Platform 1 device sanctioned by the FDA, to Altria Group, for sale in the United States. In fact, Philip Morris shares a licensing agreement with Altria for the sale of IQOS in United States.

In Mar 2008, Philip Morris International was spun off from the Altria Group. However, Philip Morris USA, Inc. (PM USA) continues to be a subsidiary of the Altria Group.

Philip Morris participates in the profitable premium cigarette category with its Marlboro, Parliament and Virginia Slims brands; in the mid-price category with its L&M, Lark, Merit, Muratti and Philip Morris brands. Other leading international brands include Bond Street, Chesterfield, Next and Red & White.

The company is also engaged in the development and commercialization of RRP, which generally are less harmful than cigarette smoking. The company expects that RRP are likely to help smokers in quitting cigarette consumption.

On a product basis, Philip Morris reports results under the combustible and RRP categories. From Jan 1, 2018, Philip Morris started operating through the following reporting segments: the European Union Region (EU); the Eastern Europe Region (EE); the Middle East & Africa Region (ME&A); the South & Southeast Asia Region (S&SA); the East Asia & Australia Region (EA&A); and the Latin America & Canada Region (LA&C). Notably, the ME&A region also include PMI Duty Free.



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## Reasons To Buy:

▲ **Strong Pricing Aids, 2021 View Looks Encouraging:** Shares of Philip Morris have gained 12.7% in the past three months, compared with the industry's growth of 11.9%. The company has long been benefiting from its strong pricing power, which has aided its revenues and adjusted operating income even in the face of the unfavorable tax environment and declining cigarette volumes. Though higher pricing might lead to possible decline in cigarette consumption, it is seen that smokers tend to absorb price increases owing to the addictive quality of cigarettes. Evidently, higher pricing at the combustible tobacco portfolio has been aiding the company's performance for a while. In fact, higher pricing variance was an upside to the company's performance across most regions during the fourth quarter of 2020, wherein the top and bottom lines beat the Zacks Consensus Estimate. Favorable combustible pricing aided the company's adjusted operating income margin, which rose 1.7% (on an organic basis) in the quarter under review. Continued pricing power is likely to act as an upside.

Philip Morris continues to benefit from efficient cigarette pricing and advancement in the RRPs category.

Despite the COVID-19-related challenges, management is optimistic regarding 2021 performance. For 2021, the company expects net revenues to increase nearly 4-7% on an organic basis. Adjusted operating margin on an organic basis is likely to jump at least 150 basis points in 2021. Finally, the company envisions adjusted earnings per share to be in the range of \$5.90-\$6, reflecting an increase from \$5.17 reported in 2020. At constant currency, adjusted earnings per share are expected to grow 9-11% to \$5.65-\$5.75. This is likely to be fueled by revenue growth and focus on achieving cost efficiencies.

▲ **RRPs a Key Catalyst:** Serious health hazards due to cigarette smoking have pushed consumers toward low-risk, reduced risk products (RRPs). The company is progressing well with its business transformation, with 10.8% of shipment volumes and 23.8% of net revenues coming from smoke-free products as of the end of 2020. Toward this end, the company's IQOS, a smokeless cigarette, counts amongst one of the leading RRPs in the industry. In the United States, the IQOS was launched in 2019, through a commercial deal with Altria that was approved by the FDA. Incidentally, on Jul 7, 2020, the FDA approved a version of IQOS's marketing as a modified risk tobacco product (MRTP). Further, Philip Morris submitted a supplemental premarket tobacco product application (PMTA) with the U.S. Food and Drug Administration on Mar 30, 2020 for the IQOS 3 tobacco heating device. On Dec 7, 2020 Philip Morris' electrically heated tobacco system — IQOS 3 — received authorization from the U.S. FDA for sale in the United States. We note that IQOS devices accounted for nearly 7% of the company's revenues in the RRPs category, in 2020. In the fourth quarter of 2020, RRPs formed 26% of the company's total net revenues. These next-generation devices are backed by substantial scientific insights and research. The company expects such advanced and high-quality products to aid adult smokers to switch from traditional cigarettes to smoke-free options. In fact, total users of IQOS as of the end of the fourth quarter were estimated to be about 17.6 million, including roughly 12.7 million users who have shifted from smoking to IQOS. Management earlier noted that since the onset of the pandemic, the switch from smoking to RRPs has been trending positively. Strong growth in IQOS boosted revenues in the RRPs category, which increased 26.3% year on year to \$1,937 million in the fourth quarter. Moreover, heated tobacco unit shipment volumes of 21.7 billion units rose 26.9% year over year.

The company expects consistent growth in the heated tobacco category, and therefore has been committed toward expanding these products. The company remains on track to achieve its 2021 goal of 90-100 billion shipments of heated tobacco units. Notably, the company launched IQOS 3 DUO in 2019, which is now available in all of its international markets. Philip Morris has started commercializing IQOS VEEV, which is its new vapor product. The product was first launched in New Zealand in August, 2020, and is expected to be rolled out to additional markets, especially in Europe, during 2021. Markedly, IQOS is presently the only heat-not-burn product in the U.S. market, which has been approved by the FDA. Among other initiatives, Philip Morris announced a partnership with South Korea's KT&G in January, 2020 in order to commercialize the latter's smoke-free products outside the country.

▲ **Strong Brand Portfolio:** Philip Morris commands a leading market position in the tobacco industry supported by its strong brand portfolio. Its portfolio boasts popular names like Marlboro, L&M, Bond Street, Parliament, Philip Morris, Chesterfield, Sampoerna A, Virginia Slims, Champion and Benson & Hedges. Marlboro leads the brands and has the largest market share.

▲ **Operations Running Amid Pandemic:** Philip Morris has been on track to lower COVID-19-related business disruptions. The company notified that it currently has adequate access to inputs and is not encountering any major supply-related hurdles. All of the company's cigarette and heated tobacco unit production units are operational globally. The pandemic doesn't have any impact on the availability of the company's products to customers and adult consumers.

▲ **Financial Flexibility:** Philip Morris looks financially stable amid the coronavirus pandemic. As of the end of the fourth quarter of 2020 (Dec 31 2020), the company had cash and cash equivalents of \$7,280 million. Its cash position looks sufficient to meet its short-term borrowings of \$244 million and the current portion of long-term debt of \$3,124. We note that, during the third quarter, Philip Morris raised its quarterly dividend by 2.6%, taking the annualized rate to \$4.80 per share. This reflects the company's financial flexibility and commitment toward shareholders. Notably, the company has a dividend yield of 5.7% and free cash flow yield of 7.2%. With an annual free cash flow return on investment of 57.6%, significantly ahead of the industry's 18.3%; the dividend payment is likely to be sustainable.

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## Reasons To Sell:

▼ **Pandemic Related Hurdles:** In its fourth-quarter earnings call, management highlighted that it does not expect a near-term recovery in the duty-free business due to travel-related uncertainties amid the coronavirus pandemic. Moreover, the company pointed out that reduced social gatherings adversely impacted cigarette consumption. Apart from this, pricing-related headwinds in Indonesia, stemming from excise tax structure, continues to remain a drag for the company.

Philip Morris struggles with soft cigarette volumes due to reduced demand, stemming from rising health concerns and anti-tobacco campaigns.

▼ **Cigarette Category Weak:** Receding cigarette sales volumes has been taking a toll on Philip Morris' performance for quite some time now. In the fourth quarter of 2020, total cigarette and heated tobacco unit shipment volumes dropped 8.2% to 176.4 billion units. Cigarette shipment volumes fell 11.7% to 154.7 billion units in the quarter. Also, revenues from combustible products were down 10.9% to \$5,507 million due to declines in all regions, except the European Union. Apart from pandemic-related hurdles, cigarette shipment volumes are long being adversely impacted by lower demand for cigarettes, stemming from anti-tobacco campaigns and consumers' rising health consciousness. Moreover, regulatory hurdles (discussed below) have created limitation for marketing cigarettes, further hindering its sales volumes. Management expects total cigarette and heated tobacco unit shipment volume to range between a decline of 2% to an increase of 1% in 2021. Total international industry volume growth (excluding China and the United States) are estimated to be negative 3% to flat.

▼ **Restrictions on Tobacco Consumption:** The tobacco industry in general faces many challenges as governments around the world are imposing restrictions on tobacco companies which, in turn, are lowering cigarette consumption. The U.S. Food and Drug Administration (FDA) has made it mandatory for tobacco companies to use precautionary labels on cigarette packets to dissuade customers from smoking. In fact, per court orders, Reynolds American along with Altria Group and other cigarette makers have been directed to put up self-critical advertisements on television and newspapers to dissuade customers from smoking. To add to the woes, the FDA is bent on drastically reducing nicotine in cigarettes to minimally addictive levels. The initiative was proposed in 2017 but was delayed, due to ongoing research. If enacted, lowering of nicotine levels will undoubtedly prove disastrous for cigarette manufacturing companies. Moreover, the FDA has raised concerns surrounding the consumption of e-cigarettes amongst the youth.

Apart from these, FDA had earlier announced that tobacco makers must seek marketing authorization for any tobacco product introduced after Feb 15, 2007. The law was extended by the FDA to include e-cigarettes, pipe tobacco, cigars and hookah. Also, the European Union and the FDA have proposed a ban on menthol in accordance with the Tobacco Control Act which essentially states that menthol cigarettes have an adverse impact on public health and suggests the removal of menthol.

▼ **Currency Headwinds:** Philip Morris' significant international presence exposes it to the risk of adverse currency fluctuations. Unfavorable fluctuations in exchange rates are likely to weigh down the company's revenues as well as profits. That said, volatility in exchange rates always remains a concern.

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## Last Earnings Report

### Philip Morris Q4 Earnings Beat Estimates on Solid Pricing

Philip Morris reported fourth-quarter 2020 results. Adjusted earnings per share came in at \$1.26, which beat the Zacks Consensus Estimate of \$1.23. Further, the bottom line grew 3.3% year over year. On an organic basis, the bottom line increased 7.4%. Net revenues of \$7,444 million outpaced the Zacks Consensus Estimate of \$7,435 million. However, the top line decreased 3.5% from the figure reported in the year-ago quarter. Net revenues, on an organic basis, also declined 3.5%. This was due to adverse volume/mix mainly stemming from soft cigarette shipment volumes, somewhat made up by greater heated tobacco shipment volumes. The company also received some respite from favorable pricing variance (mainly from higher combustible pricing in most regions).

Quarter Ending **12/2020**

Report Date	Feb 04, 2021
Sales Surprise	0.12%
EPS Surprise	2.44%
Quarterly EPS	1.26
Annual EPS (TTM)	5.18

During the fourth quarter, revenues from combustible products were down 10.9% to \$5,507 million due to declines in all regions, except the European Union. Revenues in the RRP's grew 26.3% to \$1,937 million. Total cigarette and heated tobacco unit shipment volumes dropped 8.2% to 176.4 billion units. Cigarette shipment volumes fell 11.7% to 154.7 billion units in the quarter, while heated tobacco unit shipment volumes of 21.7 billion units jumped 26.9% year over year. Adjusted operating income rose 1.7% on an organic basis on positive pricing variance, reduced marketing, administration and research costs as well as a decline in manufacturing costs – partly countered by adverse volume/mix. Adjusted operating margin expanded 2 percentage points on an organic basis.

Net revenues in the European Union increased 12.6% to \$2,742 million. Revenues climbed 6.4% at constant currency (cc), courtesy of improved volume/mix and favorable pricing variance (courtesy of increased combustible pricing). Volumes were mainly backed by a rise in heated tobacco unit volumes, somewhat countered by lower cigarette volumes. Total shipment volumes in the region slid 4.3% to 43,051 million units. In Eastern Europe, net revenues tumbled 7.5% to \$908 million but grew 4.5% at cc. The upside can be attributed to favorable pricing (thanks to elevated combustible pricing), countered partly by adverse volume/mix. Total shipment volumes dropped 6% to 29,249 million units.

In the Middle East & Africa region, net revenues declined 24.8% (down 21.6% at cc) to \$740 million due to adverse volume/mix, partly negated by favorable pricing. Further, total shipment volumes dipped 9.3% to 30,100 million units. Revenues in South & Southeast Asia fell 20.3% (down 20.6% at cc) to \$1,185 million. The downside was a result of adverse volume/mix as well as pricing variance (mainly in Indonesia). Shipment volumes collapsed 18% to 36,635 million units. Revenues from East Asia & Australia advanced 9% (up 6.1% at cc) to \$1,384 million owing to pricing gains (mainly in Japan) as well as improved volume/mix. Total shipment volumes inched up 1.5% to 19,009 million units. Finally, revenues from Latin America & Canada dropped 12.5% (down 4.7% at cc) to \$485 million due to adverse volume/mix, somewhat compensated by improved pricing. Moreover, total shipment volumes declined 5.9% to 18,342 million units.

### Other Developments & Outlook

On Dec 7, 2020, the U.S. Food and Drug Administration or the FDA said that the company's IQOS 3 is suitable for public health protection, and approved it for sale in the United States. Notably, a premarket tobacco product application (PMTA) for the same was filed with the FDA in March 2020. Apart from this, the FDA had approved a version of IQOS's marketing as a modified risk tobacco product (MRTP) in July 2020. IQOS delivered solid improvement in 2020, which helped drive major increases in total users, alongside boosting heated tobacco shipment as well as in-market sales volumes. Notably, total users of IQOS as of the end of full-year 2020 were estimated at 17.6 million, including 12.7 million who have shifted to IQOS and discontinued smoking.

Philip Morris has been on track to lower the COVID-19-related business disruptions. The company notified that it currently has adequate access to inputs and is not encountering any major supply-related hurdles. All of the company's cigarette and heated tobacco unit production units are operational globally. The pandemic doesn't have any major impact on the availability of the company's products to its customers and adult consumers. Further, the company has sufficient liquidity to manage business. In 2021, management expects gradual improvement in the general operating landscape. The company does not expect a near-term recovery in the duty-free business due to travel-related uncertainties. In fact, management expects the existing dynamics to persist through the end of 2021. Management further issued its 2021 guidance, considering that even in case of continued pandemic-led constraints — consumption levels will not go back to reduced levels as the second quarter of 2020. The company has entered 2021 with a positive momentum, though several hurdles related to duty-free business, pricing in Indonesia and COVID-19 impacts are likely to prevail.

Total cigarette and heated tobacco unit shipment volume growth is likely to range between decline 2% to increase 1%, in 2021. Total international industry volume growth (excluding China and the United States) are estimated to be negative 3% to flat. Heated tobacco shipment volumes are envisioned in a band of 90-100 billion units in 2021 compared with the 76.1 billion units seen in full-year 2020. For 2021, Philip Morris expects net revenues to increase nearly 4-7% on an organic basis, courtesy of the increasing contribution from IQOS. Adjusted operating margin on an organic basis is likely to jump at least 150 basis points in 2021. Finally, the company envisions adjusted earnings per share to be \$5.90-\$6. At cc, adjusted earnings per share are expected to grow 9-11% to \$5.65-\$5.75 from \$5.17 reported in 2020. This is likely to be fueled by revenue growth and focus on achieving cost efficiencies. For the first quarter of 2021, the company expects net revenue growth (on an organic basis) in a range of slight decline to largely stable. Management projects robust operating income margin improvement in the quarter on increased IQOS weight in the business and continued cost savings. Based on these factors, the company envisions earnings per share of \$1.40, including positive currency impact of about 9 cents.

## Recent News

### Philip Morris's IQOS 3 Receives FDA Authorization for Sale – Dec 7, 2020

Philip Morris' electrically heated tobacco system — IQOS 3 — received authorization from the U.S. Food and Drug Administration (FDA) for sale in the United States. FDA's approval was based on a PMTA (premarket tobacco product application), which was filed in March. The latest IQOS 3 device incorporates a number of technological advancements as compared to the previously authorized devices. The improvements include increased battery life and quicker recharge. Management highlighted that by launching a more modernized version of IQOS in the United States, the company will be able to further accelerate the shift from harmful tobacco products to RRP. In the past five years, nearly 11.7 million people globally have stopped smoking and have switched to IQOS.

The FDA, in its decision to approve the latest device, also stated that it has found no evidence regarding increased consumption of IQOS among the youth. In fact, Philip Morris along with its licensee Altria, have remained watchful regarding the manufacturing and marketing policies of such items to regulate usage among the youth.

## Valuation

Philip Morris shares are up 10% in the year-to-date period and 23.2% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 12.4% in the year-to-date period, while the Zacks Consumer Staples sector declined 2.7%. Over the past year, the Zacks sub-industry and the sector are up 18.8% and 24%, respectively.

The S&P 500 index is up 10.8% in the year-to-date period and 52.4% in the past year.

The stock is currently trading at 14.82X forward 12-month earnings, which compares to 11.38X for the Zacks sub-industry, 20.44X for the Zacks sector and 23.06X for the S&P 500 index.

Over the past five years, the stock has traded as high as 23.71X and as low as 10.74X, with a 5-year median of 15.87X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$96 price target reflects 15.569X forward 12-month earnings.

The table below shows summary valuation data for PM

Valuation Multiples - PM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.82	11.38	20.44	23.06
	5-Year High	23.71	21.23	22.4	23.83
	5-Year Low	10.74	9.15	16.52	15.3
	5-Year Median	15.78	13.3	19.53	18
P/S F12M	Current	4.47	3.61	10.34	4.77
	5-Year High	6.47	6.8	11.96	4.77
	5-Year Low	3.01	2.87	8.6	3.21
	5-Year Median	4.35	3.86	10.35	3.71
EV/EBITDA F12M	Current	11.37	9.33	35.6	17.21
	5-Year High	16.45	17.13	37.91	18.81
	5-Year Low	8.72	7.84	25.83	13.02
	5-Year Median	12.07	11.66	34.1	15.76

As of 04/09/2021

Source: Zacks Investment Research

## Industry Analysis Zacks Industry Rank: Top 36% (91 out of 254)



## Top Peers

Company (Ticker)	Rec	Rank
British American Tobacco p.l.c. (BTI)	Neutral	3
Imperial Tobacco Group PLC (IMBBY)	Neutral	3
JAPAN TOB INC (JAPAY)	Neutral	3
Altria Group, Inc. (MO)	Neutral	3
Constellation Brands Inc (STZ)	Neutral	3
Turning Point Brands, Inc. (TPB)	Neutral	4
Vector Group Ltd. (VGR)	Neutral	2
AnheuserBusch InBev SANV (BUD)	Underperform	5

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

Industry Comparison Industry: Tobacco				Industry Peers		
	PM	X Industry	S&P 500	BTI	IMBBY	MO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	C	A	C
Market Cap	141.93 B	1.52 B	29.66 B	89.08 B	20.26 B	95.70 B
# of Analysts	9	1.5	12	5	4	8
Dividend Yield	5.27%	5.27%	1.33%	7.62%	12.21%	6.68%
Value Score	B	-	-	A	A	B
Cash/Price	0.05	0.05	0.06	0.05	0.11	0.05
EV/EBITDA	12.97	10.48	17.00	8.93	5.48	14.21
PEG F1	1.85	1.92	2.38	1.92	NA	2.82
P/B	NA	2.61	4.01	1.10	2.88	32.71
P/CF	15.67	11.29	17.08	7.89	4.79	11.43
P/E F1	15.20	12.06	22.05	8.57	6.24	11.30
P/S TTM	1.87	2.15	3.45	NA	NA	3.66
Earnings Yield	6.58%	7.42%	4.47%	11.67%	16.02%	8.86%
Debt/Equity	-2.65	0.39	0.66	0.63	1.85	9.56
Cash Flow (\$/share)	5.81	4.47	6.78	4.93	4.47	4.51
Growth Score	A	-	-	C	A	C
Historical EPS Growth (3-5 Years)	5.42%	5.42%	9.39%	NA	NA	10.40%
Projected EPS Growth (F1/F0)	15.80%	4.37%	15.24%	349.31%	453.63%	209.85%
Current Cash Flow Growth	0.01%	0.01%	0.61%	-0.97%	-13.60%	3.12%
Historical Cash Flow Growth (3-5 Years)	3.55%	4.86%	7.37%	11.37%	-1.65%	7.89%
Current Ratio	1.10	1.51	1.39	0.88	0.78	0.79
Debt/Capital	NA%	43.21%	41.26%	38.81%	64.92%	90.54%
Net Margin	10.59%	7.80%	10.59%	NA	NA	17.08%
Return on Equity	-76.72%	9.60%	14.86%	NA	NA	174.60%
Sales/Assets	1.89	0.86	0.51	NA	NA	0.53
Projected Sales Growth (F1/F0)	8.87%	2.82%	7.36%	6.64%	-71.30%	2.61%
Momentum Score	D	-	-	D	F	D
Daily Price Change	1.82%	-0.15%	0.62%	-2.24%	-0.44%	0.02%
1-Week Price Change	-2.78%	-0.52%	0.35%	-2.69%	-0.19%	-2.86%
4-Week Price Change	5.13%	1.89%	4.25%	4.99%	10.19%	7.72%
12-Week Price Change	12.18%	12.34%	8.87%	1.59%	-4.76%	25.25%
52-Week Price Change	20.88%	32.10%	52.90%	3.46%	3.13%	25.86%
20-Day Average Volume (Shares)	4,873,149	417,259	2,047,782	2,568,053	151,110	10,367,378
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.10%	-0.15%	0.00%	-0.74%	-0.65%	-0.19%
EPS F1 Estimate 12-Week Change	3.38%	3.81%	2.24%	-0.26%	4.25%	-0.14%
EPS Q1 Estimate Monthly Change	1.17%	0.00%	0.00%	NA	NA	-0.51%

Source: Zacks Investment Research

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## 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>B</b>
Growth Score	<b>A</b>
Momentum Score	<b>D</b>
VGM Score	<b>B</b>

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

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## Disclosures

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

## Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**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.