

## Philip Morris(PM)

**\$75.00** (As of 07/15/20)

Price Target (6-12 Months): **\$79.00**

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:C

Value: D

Growth: B

Momentum: C

## Summary

Shares of Philip Morris have lagged the industry in the past three months. The stock further declined when management said that it expects coronavirus to be detrimental to 2020 performance, during its first-quarter 2020 earnings release. The company withdrew its 2020 earnings view and offered guidance for the second quarter, which is expected to bear the largest quarterly impact of COVID-19 this year. The second-quarter show is likely to be hurt by lower duty-free sales and delay in minimum price enforcement in Indonesia stemming from coronavirus-led restrictions, among others. Nonetheless, the company doesn't expect facing any out of stock situation in core operating income markets. Also, its first-quarter earnings and sales grew year over year, reflecting continued momentum in the smoke-free portfolio and a solid combustible tobacco pricing.

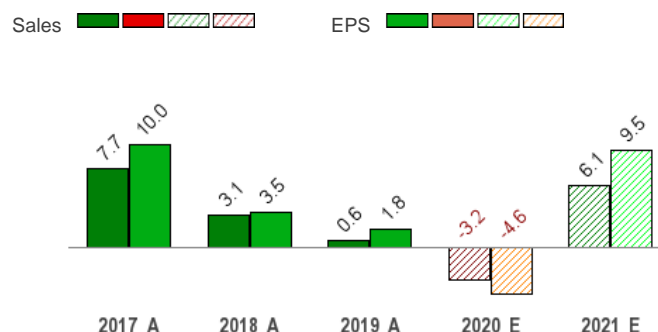
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$90.17 - \$56.01</b>
20 Day Average Volume (sh)	<b>4,948,142</b>
Market Cap	<b>\$116.8 B</b>
YTD Price Change	<b>-11.9%</b>
Beta	<b>0.76</b>
Dividend / Div Yld	<b>\$4.68 / 6.2%</b>
Industry	<b><u>Tobacco</u></b>
Zacks Industry Rank	<b>Top 32% (81 out of 251)</b>

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



Last EPS Surprise	<b>7.1%</b>
Last Sales Surprise	<b>6.2%</b>
EPS F1 Est- 4 week change	<b>0.1%</b>
Expected Report Date	<b>07/21/2020</b>
Earnings ESP	<b>-0.9%</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	7,278 E	7,404 E	7,798 E	8,171 E	30,596 E
2020	7,153 A	6,462 E	7,366 E	7,619 E	28,845 E
2019	6,751 A	7,699 A	7,642 A	7,713 A	29,805 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.21 E	\$1.36 E	\$1.47 E	\$1.35 E	\$5.42 E
2020	\$1.21 A	\$1.09 E	\$1.37 E	\$1.27 E	\$4.95 E
2019	\$1.09 A	\$1.46 A	\$1.43 A	\$1.22 A	\$5.19 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>14.1</b>
P/E F1	<b>15.2</b>
PEG F1	<b>1.9</b>
P/S TTM	<b>1.5</b>

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/15/2020. The reports text is as of 07/16/2020.

## 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 close to 19% of the company's total revenues in 2019, including about 13% contribution from IQOS devices. Nevertheless, the company's combustible category presently remains its major revenue contributor.

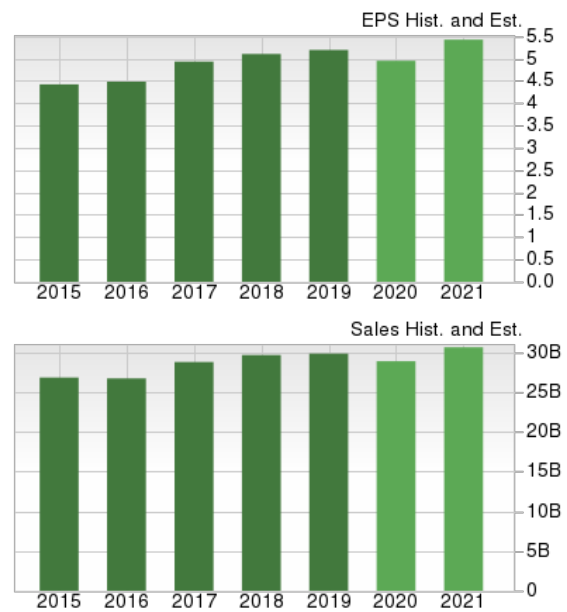
Philip Morris manufactures and sells cigarettes, other tobacco products and other nicotine-containing products outside the United States in more than 180 countries. Also, the company ships a form of its Platform 1 device sanctioned by the FDA, to Altria Group, for sale in the United States. In fact,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



## Reasons To Buy:

▲ **Robust Q1 Results:** Phillip Morris delivered strong first-quarter 2020 results, wherein both top and bottom lines improved year over year and beat the Zacks Consensus Estimate. While earnings were backed by solid revenues and reduced costs, revenues gained from favorable pricing variance as well as improved volume/mix. Markedly, strength in reduced risk products or RRP's remained a driver. All in all, the company delivered a solid first-quarter show, reflecting continued momentum in the smoke-free portfolio along with efficient combustible tobacco pricing. The impact of COVID-19 on the first-quarter performance was limited, though it is likely to hurt ongoing performance.

Philip Morris continues to benefit from efficient cigarette pricing and advancement in the RRP's category.

▲ **Strong Pricing a Growth Driver:** Philip Morris has always managed to remain afloat and generate revenues with higher cigarette pricing even in the face of 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 all regions during the first quarter of 2020. In the said quarter, favorable pricing variance boosted the top line that improved 10% on a like-for-like basis, after excluding currency. Pricing also drove the company's adjusted operating income. Continuation of such trends is likely to aid the top line.

▲ **RRP's a Key Catalyst:** Serious health hazards due to cigarette smoking have pushed consumers toward low-risk, reduced risk products (RRP's). The company is progressing well with its business transformation, with about 8% of shipment volumes and one-fifth of net revenues coming from smoke-free products as of the end of 2019. Toward this end, the company's IQOS, a smokeless cigarette, counts amongst one of the leading RRP's in the industry. Incidentally, the FDA recently approved IQOS's marketing as a modified risk tobacco product (MRTP), which is likely to bolster its business. Notably, IQOS was launched in the United States in 2019, through a commercial deal with Altria that was approved by the FDA. Further, Phillip Morris submitted a supplemental premarket tobacco product application (PMTA) with the U.S. Food and Drug Administration on Mar 30 for the IQOS 3 tobacco heating device. We note that RRP's formed around 22% of the company's total revenues in the first quarter of 2020, including about 10% contribution from IQOS devices. 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, there were 14.6 million total IQOS users as of Mar 31, depicting an increase of more than 4 million adult users from the same period last year. Strong growth in IQOS boosted revenues in the RRP's unit, which increased 25.1% to \$1,555 million in the first quarter. Moreover, heated tobacco unit shipment volumes of nearly 16.7 billion units surged 45.5% year over year.

The company expects consistent growth in IQOS and Heated Tobacco category, and therefore has been committed toward expanding these products. In this context, the company launched IQOS 3 DUO in 2019, which is now available in all of its international markets. Philip Morris has also been undertaking plant conversions, transforming them from cigarette to RRP's manufacturing facilities. Markedly, IQOS is presently the only heat-not-burn product in the U.S. market, which has been approved by the FDA. This is expected to radically boost the business of the companies. Among other initiatives, Philip Morris announced a partnership with South Korea's KT&G this January in order to commercialize the latter's smoke-free products outside the country. This global collaboration aims at expanding the reach of KT&G's smoke-free products to many other markets. In earlier developments, Philip Morris inked a deal with Canada-based Parallax that provides low-risk tobacco alternatives. To further propel growth of this category, the company launched 'The Year of Unsmoke' in April, 2019. The action is aimed at creating a better future for smokers, by encouraging them to either quit smoking or shift to low-risk alternatives.

▲ **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.

▲ **Financial Flexibility:** Phillip Morris looks financially stable amid the coronavirus pandemic. As of the end of the first quarter of 2020 (Mar 31, 2020), the company had cash and cash equivalents of \$3.7 billion, which is sufficient to fund its short-term debt of \$3.4 billion. Further, the company had \$7.5 billion under its revolving credit facilities, as well as commercial paper of \$1.1 billion. Apart from this, Philip Morris' long-term debt declined 6.2% sequentially to approximately \$25 billion. To top it, as on Mar 31, 2020, S&P's, Moody's and Fitch had assigned long-term credit ratings of A, A2 and A, respectively, reflecting a stable outlook.

Additionally, at a juncture where many companies have suspended dividends, Phillip Morris declared a quarterly dividend of \$1.17 per share on Jun 5 – which reflects the company's financial flexibility and commitment toward shareholders. Notably, the company has a dividend payout of 88%, dividend yield of 6.6% and free cash flow yield of 8.4%. With an annual free cash flow return on investment of 58.2%, significantly ahead of the industry's 18.2%; the dividend payment is likely to be sustainable.

## Reasons To Sell:

- ▼ **COVID-19 Update & Q2 View:** Shares of Phillip Morris have dipped 0.5% in the past three months, compared with the industry's decline of 0.3%. The stock took a hit when management notified in its first-quarter 2020 earnings release that it expects coronavirus woes to largely impact second-quarter performance. In its first-quarter earnings call, management said that it expects the coronavirus to have detrimental impacts on its 2020 performance. The company expects to be hurt by lower duty-free sales on account of travel restrictions. Also, with regard to the IQOS user acquisition, Phillip Morris is unable to engage with adult smokers through sales forces and retail touchpoints owing to restrictions associated with the lockdown. Though the company is utilizing digital tools, it expects the rate of new IQOS user acquisition to decline. Further, the delay in the enforcement of minimum price in Indonesia due to coronavirus-led restrictions is likely to affect the business. Apart from this, soft consumer spending resulting from unemployment may also disrupt market dynamics for a temporary period.

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

Given the uncertainty surrounding the severity and duration of the pandemic, management withdrew its bottom-line guidance for 2020 that was provided on Feb 6. The company has instead offered second-quarter guidance. Phillip Morris was anyway expecting a soft second-quarter show due to tough year-over-year comparisons, certain costs and unfavorable dynamics in Indonesia. Management now expects a further dismal performance due to the impacts of COVID-19. In fact, the second quarter is likely to bear the largest quarterly impact of coronavirus this year. In the second quarter, currency-neutral revenues are expected to fall 8-12% due to coronavirus-led hurdles, including reduced IQOS sales. Further, management expects earnings in the second quarter between \$1 and \$1.10 per share, including currency headwinds of about 12 cents per share. Earnings are expected to bear the brunt of distributor and trade inventory movements, lower duty-free sales and delay in minimum price enforcement in Indonesia.

- ▼ **Cigarette Category Weak:** Receding cigarette sales volumes has been taking a toll on Philip Morris' performance for quite some time now. In the first quarter of 2020, total cigarette and heated tobacco unit shipment volumes dropped 1.2% to 173.7 billion units. Cigarette shipment volumes fell 4% to roughly 157 billion units in the quarter. We note that cigarette shipment volumes are 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.

Further, owing to coronavirus-led restrictions, about 20% of the company's cigarette production capacity is currently affected by government-imposed shutdowns or production limitations. Though management does not foresee any out-of-stock situations in core operating income markets, Argentina is likely to witness out-of-stock situation if the facility doesn't reopen soon.

- ▼ **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. Apart from this, the court wants tobacco companies to admit that cigarettes have been made addictive, through the issuance of corrective ads. To add to the woes, the FDA is now 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. In more recent developments, 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. In fact, currency had an unfavorable impact on the company's performance in the first quarter of 2020. Management expects currency to have adverse impact of nearly 12 cents upon earnings in the second quarter. That said, volatility in exchange rates always remains a concern.

## Last Earnings Report

### Philip Morris Q1 Earnings Top, View Reflects Coronavirus Woes

Philip Morris reported first-quarter 2020 results. Adjusted earnings per share of \$1.21 came ahead of the Zacks Consensus Estimate of \$1.13. The bottom line grew 11% year over year. On a like-for-like (LFL) basis, after excluding currency, the bottom line surged 30.1%.

Net revenues of \$7,153 million beat the Zacks Consensus Estimate of \$6,737 million. The top line grew 6% in the reported quarter. Net revenues, on an LFL basis and excluding currency headwinds, advanced 10%. This was backed by a favorable pricing variance and improved volume/mix. During the quarter under review, revenues from combustible products rose 1.6% to \$5,598 million due to growth in most regions. Further, revenues in the RRP improved 25.1% to \$1,555 million. Total cigarette and heated tobacco unit shipment volumes dropped 1.2% to 173.7 billion units. Cigarette shipment volumes fell 4% to roughly 157 billion units in the quarter, while heated tobacco unit shipment volumes of nearly 16.7 billion units surged 45.5% year over year.

Adjusted operating income grew 11.4% to reach \$2,789 million. On an LFL basis, after excluding currency, adjusted operating income improved 25.5% year over year. Adjusted operating margin expanded 1.9 points to 39%. Adjusted operating margin grew 5.1 points to 41.3% on excluding currency and on an LFL basis.

### Region-Wise Performance

Net revenues in the **European Union** increased 17.4% to \$2,535 million. Revenues grew 20.7% at cc, courtesy of favorable pricing and volume/mix. Total shipment volumes in the region rose 8.4% to 45,307 million units. In **Eastern Europe**, net revenues grew 36.1% to \$788 million and 35.1% at cc. The upside can be attributed to favorable pricing and volume/mix. Total shipment volumes grew 17.9% to 25,785 million units. In the **Middle East & Africa** region, net revenues declined 5.5% (down 5.3% at cc) to \$876 million due to adverse volume/mix, partly made up by favorable pricing. Further, total shipment volumes fell 10.5% to 30,466 million units.

Revenues in **South & Southeast Asia** rose 12.4% (up 10.7% at cc) to \$1,251 million. The upside was driven by favorable pricing variance, partly offset by adverse volume/mix. Shipment volumes declined 9.4% to 37,595 million units. Revenues from **East Asia & Australia** fell 5% (down 4.3% at cc) to \$1,255 million due to unfavorable volume/mix, partly compensated by pricing gains. Total shipment volumes climbed 2.4% to 19,421 million units. Finally, revenues from **Latin America & Canada** decreased 31.3% (down 28.5% at cc) to \$448 million due to adverse volume/mix, somewhat negated by improved pricing. Moreover, total shipment volumes declined 14% to 15,171 million units.

### Other Financials & Developments

The company ended the quarter with cash and cash equivalents of \$3,746 million. Also, it had long-term debt of \$24,999 million and shareholders' deficit of \$11,063 million. During the quarter, Phillip Morris announced a quarterly dividend of \$1.17 per share. Also, on Mar 30, the company submitted a supplemental premarket tobacco product application (PMTA) with the U.S. Food and Drug Administration for the IQOS 3 tobacco heating device.

The company delivered a solid first-quarter show, reflecting continued momentum in the smoke-free portfolio along with efficient combustible tobacco pricing. The impact of COVID-19 on the first-quarter performance was limited as it was in the early stages. However, management expects the coronavirus to have detrimental impacts on its 2020 performance. The company expects to be hurt by lower duty-free sales on account of travel restrictions. Also, with regard to the IQOS user acquisition, Phillip Morris is unable to engage with adult smokers through sales forces and retail touchpoints owing to restrictions associated with the lockdown. Though the company is utilizing digital tools, it expects the rate of new IQOS user acquisition to decline. Further, the delay in the enforcement of minimum price in Indonesia due to coronavirus-led restrictions is likely to affect the business. Apart from this, soft consumer spending resulting from unemployment may also disrupt market dynamics for a temporary period.

Given the uncertainty surrounding the severity and duration of the pandemic, management withdrew its bottom-line guidance for 2020 that was provided on Feb 6. The company has instead offered second-quarter guidance. Notably, Phillip Morris has taken several measures to keep the business going and minimize disruptions. The company is getting adequate access to inputs for its products. Most of its manufacturing facilities globally are currently running, including all heated tobacco unit factories. Some cigarette production facilities have been temporarily affected by government-imposed shutdowns or production limitations. They form about 20% of the company's total cigarette production capacity globally. Nonetheless, the company has an adequate inventory of finished products and doesn't expect an out-of-stock situation in any key operating income region. Certain emerging markets may face temporary out-of-stock situations, in case of infrastructure-related hurdles. Additionally, the company has been undertaking measures to strengthen its financial position.

Phillip Morris was anyway expecting a soft second-quarter show due to tough year-over-year comparisons, certain costs and unfavorable dynamics in Indonesia. Management now expects a further dismal performance due to the impacts of COVID-19. In fact, the second quarter is likely to bear the largest quarterly impact of coronavirus this year. In the second quarter, currency-neutral revenues are expected to fall 8-12% due to coronavirus-led hurdles, including reduced IQOS sales. Further, management expects earnings in the second quarter between \$1 and \$1.10 per share, including currency headwinds of about 12 cents per share. Earnings are expected to bear the brunt of distributor and trade inventory movements, lower duty-free sales and delay in minimum price enforcement in Indonesia.

### Quarter Ending 03/2020

Report Date	Apr 21, 2020
Sales Surprise	6.18%
EPS Surprise	7.08%
Quarterly EPS	1.21
Annual EPS (TTM)	5.32

## Recent News

### Philip Morris' IQOS Gets FDA Nod to be Marketed as MRTP - Jul 8, 2020

Philip Morris International has been benefiting from focus on reduced risk products or RRP, especially the IQOS device that has been a major hit. The company's efforts clearly got a boost with the latest move by the U.S. Food and Drug Administration (FDA). Incidentally, the FDA has approved IQOS's marketing as a modified risk tobacco product (MRTP).

The FDA authorized Phillip Morris' electrically heated tobacco system — IQOS — as an MRTP after ensuring that it heats tobacco and does not burn it. Further, consumers' shift from conventional cigarettes to IQOS lowers their exposure to injurious or potentially injurious chemicals. Clearly, the FDA's decision reinforces that the use of IQOS is likely to be beneficial for the overall population's health.

Notably, IQOS is the first and sole electronic nicotine product, which has been given marketing permits via the FDA's MRTP process. This is likely to be a big win for Phillip Morris, which generated one-fifth of net revenues from smoke-free products as of the end of 2019.

### Philip Morris Announces Dividend - Jun 5, 2020

Philip Morris announced a quarterly dividend of \$1.17 per share, payable on July 10, 2020, to stockholders of record as of June 22.

### Philip Morris Suspends Operations at MTB Due to Coronavirus – Mar 23, 2020

The impact of the coronavirus outbreak can be felt across all sectors. Owing to its rapid spread, Philip Morris is temporarily suspending all operations at Philip Morris Manufacturing & Technology Bologna S.p.A., Italy ("MTB"). Management is suspending production for a week in view of the current scenario and the government's concerted endeavors to contain the spread.

Notably, MTB formed about 50% of HTU production, as of February. Nonetheless, the company's HTU facilities are currently operational with an installed capacity of roughly 70 billion units annually. Thus, Philip Morris doesn't anticipate facing any out-of-stock situation in any of its major operating income areas and expects customers to continue having access to its products.

## Valuation

Philip Morris shares are down 11.8% in the year-to-date period and 7.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 15% and 11.2%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry is down 9.3%, while the sector declined 9.5%.

The S&P 500 index is down 0.4% in the year-to-date period and up 7.8% in the past year.

The stock is currently trading at 14.41X forward 12-month earnings, which compares to 10.55X for the Zacks sub-industry, 19.66X for the Zacks sector and 22.72X 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 18.22X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$79 price target reflects 15.18X 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	14.41	10.55	19.66	22.72
	5-Year High	23.71	21.23	22.37	22.72
	5-Year Low	10.74	9.96	16.63	15.25
	5-Year Median	18.22	16.88	19.58	17.52
P/S F12M	Current	3.92	3.25	9.44	3.55
	5-Year High	6.47	6.8	11.15	3.55
	5-Year Low	3.01	3.07	8.1	2.53
	5-Year Median	4.78	4.81	9.89	3.02
EV/EBITDA F12M	Current	10.37	8.21	32.76	13.2
	5-Year High	16.45	17.13	37.49	14.24
	5-Year Low	8.72	7.84	25.81	9.05
	5-Year Median	12.96	12.64	33.81	11

As of 07/15/2020



## Industry Analysis Zacks Industry Rank: Top 32% (81 out of 251)



## Top Peers

Company (Ticker)	Rec	Rank
JAPAN TOB INC (JAPAY)	Outperform	2
Turning Point Brands, Inc. (TPB)	Outperform	1
British American Tobacco p.l.c. (BTI)	Neutral	3
Altria Group, Inc. (MO)	Neutral	3
Constellation Brands Inc (STZ)	Neutral	3
SchweitzerMauduit International, Inc. (SWM)	Neutral	3
Vector Group Ltd. (VGR)	Neutral	3
Imperial Tobacco Group PLC (IMBBY)	Underperform	5

Industry Comparison Industry: Tobacco				Industry Peers		
	PM	X Industry	S&P 500	BTI	IMBBY	MO
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Underperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	5	3
VGM Score	C	-	-	A	A	B
Market Cap	116.78 B	1.18 B	22.66 B	83.15 B	17.11 B	76.19 B
# of Analysts	9	1.5	14	5	4	8
Dividend Yield	6.24%	5.52%	1.83%	7.40%	5.64%	8.20%
Value Score	D	-	-	B	A	C
Cash/Price	0.03	0.11	0.07	0.04	0.07	0.08
EV/EBITDA	12.10	8.26	12.99	9.09	NA	42.93
PEG Ratio	1.85	1.93	2.97	1.39	NA	1.93
Price/Book (P/B)	NA	1.76	3.12	0.94	2.73	11.48
Price/Cash Flow (P/CF)	12.89	8.03	12.14	6.79	3.50	9.43
P/E (F1)	15.15	11.24	22.04	8.68	5.69	9.65
Price/Sales (P/S)	1.49	1.57	2.38	NA	NA	2.95
Earnings Yield	6.60%	9.08%	4.32%	11.51%	17.56%	10.37%
Debt/Equity	-2.26	0.31	0.76	0.59	2.19	4.06
Cash Flow (\$/share)	5.82	3.33	6.94	5.35	5.11	4.35
Growth Score	B	-	-	B	A	A
Hist. EPS Growth (3-5 yrs)	3.99%	8.67%	10.85%	NA	NA	10.87%
Proj. EPS Growth (F1/F0)	-4.67%	0.72%	-9.64%	1.31%	-6.40%	0.65%
Curr. Cash Flow Growth	1.35%	1.35%	5.51%	8.98%	-3.71%	4.57%
Hist. Cash Flow Growth (3-5 yrs)	-2.07%	4.91%	8.55%	12.83%	1.08%	8.93%
Current Ratio	1.02	1.28	1.30	0.71	0.75	0.71
Debt/Capital	NA%	46.53%	44.46%	37.08%	68.66%	80.25%
Net Margin	9.75%	3.75%	10.59%	NA	NA	-3.33%
Return on Equity	-84.38%	9.70%	15.75%	NA	NA	84.55%
Sales/Assets	1.94	0.84	0.54	NA	NA	0.49
Proj. Sales Growth (F1/F0)	-3.22%	0.00%	-2.52%	-1.60%	-72.25%	2.62%
Momentum Score	C	-	-	B	A	D
Daily Price Chg	0.93%	0.11%	1.91%	-1.55%	-1.51%	-0.15%
1 Week Price Chg	3.55%	0.00%	-0.41%	-5.68%	-5.74%	2.21%
4 Week Price Chg	1.23%	-5.26%	1.88%	-8.24%	-5.94%	0.34%
12 Week Price Chg	2.66%	0.75%	16.37%	0.75%	-5.65%	8.44%
52 Week Price Chg	-7.46%	-18.61%	-4.22%	-0.38%	-31.49%	-17.09%
20 Day Average Volume	4,948,142	195,419	2,266,132	1,644,789	89,013	7,163,887
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.13%	0.00%	0.00%	0.00%	0.00%	0.09%
(F1) EPS Est 12 week change	-7.11%	-1.52%	-5.76%	-0.10%	-4.26%	-2.94%
(Q1) EPS Est Mthly Chg	0.73%	0.00%	0.00%	NA	NA	0.00%

---

## 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 have an excellent 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>D</b>
Growth Score	<b>B</b>
Momentum Score	<b>C</b>
VGM Score	<b>C</b>

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

---

### Disclosures

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

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

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.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.