

Post Holdings (POST)

\$99.07 (As of 02/17/21)

Price Target (6-12 Months): **\$104.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 01/22/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: B

Growth: C

Momentum: F

Summary

Post Holdings has outpaced the industry in the past six months. Gains from strategic buyouts as well as sturdy performance in BellRing Brands and Weetabix units have been acting as upsides for the company. In fact, strong performance across most segments along with pandemic-led higher demand trends boosted top line in first-quarter fiscal 2021. During the quarter, earnings and sales beat the Zacks Consensus Estimate. The company saw healthy demand for its products, online as well as through food, drug, mass and club channels. However, the company's Foodservice unit is bearing the brunt of coronavirus-induced hurdles. Soft demand across restaurants has been hindering sales in Foodservice unit. Notably, revenues in this segment slumped 15.7% in the first quarter. Apart from this, Post Holdings is witnessing strained gross margin.

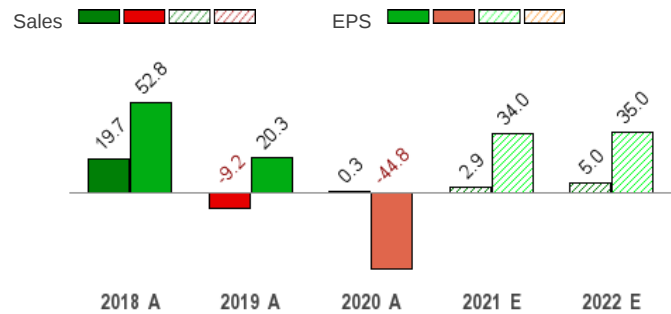
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$107.24 - \$68.97
20-Day Average Volume (Shares)	469,505
Market Cap	\$6.4 B
Year-To-Date Price Change	-1.6%
Beta	0.72
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Food - Miscellaneous
Zacks Industry Rank	Bottom 24% (193 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	12.5%
Last Sales Surprise	2.9%
EPS F1 Estimate 4-Week Change	-2.7%
Expected Report Date	05/06/2021
Earnings ESP	0.0%
P/E TTM	36.8
P/E F1	27.3
PEG F1	3.9
P/S TTM	1.1

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,557 E	1,486 E	1,517 E	1,578 E	6,159 E
2021	1,458 A	1,411 E	1,462 E	1,535 E	5,866 E
2020	1,457 A	1,494 A	1,336 A	1,411 A	5,699 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.15 E	\$0.93 E	\$1.42 E	\$1.41 E	\$4.90 E
2021	\$0.72 A	\$0.55 E	\$1.16 E	\$1.22 E	\$3.63 E
2020	\$0.76 A	\$0.65 A	\$0.75 A	\$0.58 A	\$2.71 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/17/2021. The report's text and the analyst-provided price target are as of 02/18/2021.

Overview

Based in Missouri, Post Holdings is a consumer-packaged goods holding company, which is involved in the production of center-of-the-store, refrigerated, foodservice, food ingredient and convenient nutrition product categories. It also engages in the private brand food category.

The company comprises five segments, including BellRing Brands, which operates as a separate entity with Post Holdings having 71% stake in it.

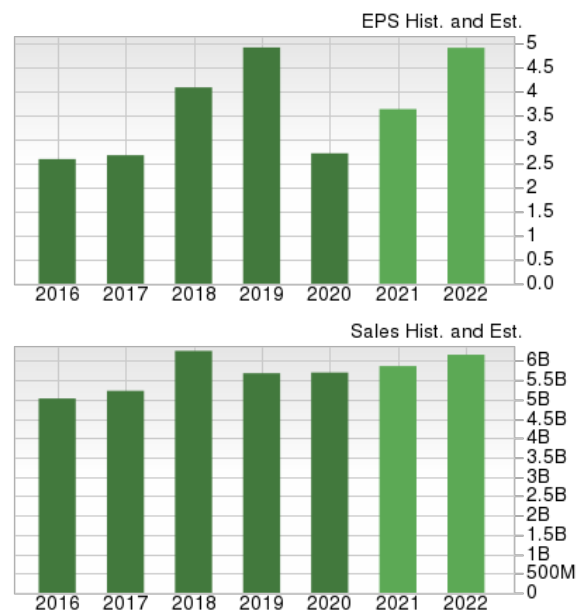
Post Consumer Brands consists private label ready-to-eat (RTE) cereal products. Some notable brands of RTE include Honey Bunches of Oats, Pebbles, Oreo O's, Hostess Donettes, Hostess Honey Bun, Great Grains, Grape-Nuts, Post Shredded Wheat, Oh's, Honeycomb, Golden Crisp, Post Raisin Bran, Alpha-Bits, Shreddies, Malt-O-Meal-branded bagged cereal and Mom's Best.

Weetabix comprises businesses of Weetabix Limited and its direct subsidiaries. It produces and distributes branded and private label RTE cereal, hot cereals, and other cereal-based food products, breakfast drinks and muesli mostly outside North America. The distribution part takes place through third-party services.

Foodservice engages in the production and distribution of egg and potato products in the foodservice and food ingredient space. It has a wide portfolio of egg products under brands, including Papetti's and Abbotsford Farms, and potato products under several brands, including Simply Potatoes.

Refrigerated Retail produces and distributes refrigerated retail products such as egg, cheese and sausage under the brands namely, Michael Foods, Willamette, NPE and Bob Evans. The segment's refrigerated side dish, potato and sausage products are available under the Bob Evans, Bob Evans Farms, Simply Potatoes, Pineland Farms, Owens and Diner's Choice brands.

BellRing Brands offers in the convenient nutrition category, including ready-to-drink ("RTD") protein shakes as well as other other RTD beverages, powders and nutrition bars. The unit comprises of businesses acquired from companies such as Premier Nutrition Company, LLC, Dymatize Enterprises, LLC and PowerBar brand amongst others.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **Better-than-Expected Q1 Sales:** Post Holdings showcased a sturdy top-line performance during first-quarter fiscal 2021. In the first quarter of fiscal 2021, the company's top and the bottom line surpassed the Zacks Consensus Estimate. Moreover, sales inched up 0.1% year on year on the back of growth in segments such as BellRing Brands, Weetabix, Post Consumer Brands and Refrigerated Retail. Moreover, performance in the reported quarter gained from the pandemic-led higher at-home consumption. The company saw healthy demand for its products, online as well as through food, drug, mass and club channels. Continuation of such trends is likely to keep supporting the company's top line in the forthcoming periods. We note that the company's shares have gained 13.4% in the past six months compared with the industry's rise of 3.4%.
- ▲ **Focus on Acquisitions:** The company has been actively pursuing acquisitions to expand the customer base. To this end, Post Holdings acquired Almark Foods (or Almark) on Feb 1, 2021. Almark, which is renowned for its hard-cooked and deviled egg products, provides conventional, organic and cage-free products. Its products are distributed widely to retail outlets as well as foodservice distributors. Also, on Jan 25, Post Holdings and Conagra Brands concluded their deal wherein latter's Peter Pan peanut butter brand was acquired by the former. Notably, the Peter Pan peanut butter is one of the leading brands that cater to a diversified customer base in key channels. Also, on the same day, Post Holdings unveiled collaboration with Hungry Planet, which is a plant-based meat company. As part of this alliance, Post Holdings' Foodservice and Refrigerated Retail segments will work closely with Hungry Planet, in order to extend the distribution of Hungry Planet's renowned plant-based meats. Moreover we note that on Jul 1, 2020, the company completed the acquisition of Henningsen Foods, Inc., which now forms part of the company's Foodservice segment.
- Prior to this, the company's acquisition of Latimer Newco 2 Limited in July 2017 led to the addition of Weetabix North America and Weetabix Limited to its portfolio. The latter has now been operating as one of the five company segments. In Jan 2018, Post Holdings acquired Bob Evans, which strengthened its position in the foodservice and refrigerated retail channels. Some other notable buyouts included National Pasteurized Eggs, Inc in October 2016 and MOM Brands Company in May 2015. Going ahead, management plans to keep broadening its portfolio through well-chalked acquisitions.
- ▲ **Strength in Weetabix Unit:** Post Holdings' Weetabix segment has been performing well in the past few quarters. During first-quarter fiscal 2021, segmental sales increased 11.8% to \$113.5 million. The metric gained from favorable foreign currency movements to the tune of roughly 280 basis points. Volumes increased to the tune of 8.3%. Volume growth was driven by gains from extruded products, biscuit products, and private label products and exports. Also, segmental profit of \$28.1 million increased 18.6% year on year. Prior to this, sales in the segment moved up 0.6%, 8.9%, 3.1% and 8.5%, during the first, second, third and the fourth quarter of fiscal 2020, respectively.
- ▲ **BellRing Brands Aids Growth:** During first-quarter fiscal 2021, sales in BellRing Brands segment amounted to \$282.4 million, up 15.7% year over year. Sales in the Premier Protein brand were up 17.4%, while volumes increased 21.9%. Net sales improved on the back of RTD shake distribution gains, higher promotional activity and a marginal increase in customer trade inventory levels in the year-ago quarter. Moreover, sales in the Dymatize brand increased 16.2% year over year. We believe that continued growth of BellRing Brands, backed by well-chalked investments, is likely to keep aiding the top line in the future. The company plans to invest approximately \$4 million during fiscal 2021, in respect of BellRing Brands growth.

The company is gaining from strategic buyouts and solid performance in the Weetabix segment.

Reasons To Sell:

▼ **Foodservice Unit Troubled:** Post Holdings' Foodservice sales slumped 15.7% to \$354.5 million in the first quarter of fiscal 2021. Volumes declined 20% due to reduced away-from-home demand amid COVID-19 in various foodservice channels like full-service restaurants, quick-service restaurants, lodging, education and travel. Segmental profit was \$10.8 million, down 77% on a year-over-year basis. We note that, persistence of weak trends in the Foodservice unit may continue to exert pressure on the company's top line. In fact, management expects the foodservice unit to remain soft during the second quarter, while recovery in this arena is expected in the third and the fourth quarter.

▼ **Strained Margins:** The company is witnessing strained gross margin for the past few quarters. During the fiscal first quarter, Post Holdings reported gross profit of \$455.4 million that declined from \$471.5 reported in the year-ago quarter. Further, gross margin contracted 120 basis points to 31.2%. We believe that persistence of this trend may hurt the company's performance in the future.

▼ **Industry Headwinds:** The food industry is grappling with challenges like stiff competition, tight margins and aggressive promotional environment. Traditional food and grocery companies are facing competition from rival companies. These companies are strengthening their franchises through acquisitions, innovative products and offering alternative outlets for food and other staples. Moreover, consumers' changing tastes and preferences are a hurdle. Such industry-wide headwinds may dent the company's performance.

Strained margins remain a matter of concern for the company. Also, dismal Foodservice unit is a deterrent.

Last Earnings Report

Post Holdings Q1 Earnings Top Estimates on High Demand

Post Holdings reported first-quarter fiscal 2021 results, with the top and the bottom lines surpassing the Zacks Consensus Estimate. Adjusted earnings were 72 cents per share, which beat the Zacks Consensus Estimate of 64 cents. This compares unfavorably with earnings of 76 cents per share reported in the year-ago quarter.

The company registered sales of \$1,458 million, up 0.1% from \$1,457 million reported in the prior-year quarter. Further, the figure exceeded the consensus mark of 1,417 million. Net sales growth in BellRing Brands, Weetabix, Post Consumer Brands and Refrigerated Retail more than offset the sluggishness in the Foodservice business.

Further, gross profit of \$455.4 million declined from \$471.5 reported in the year-ago quarter. Gross margin contracted 120 basis points (bps) to 31.2% in the quarter under review.

Meanwhile, the company witnessed SG&A expenses of \$251.1 million, up from \$235.3 in the year-ago quarter. SG&A expenses, as a percentage of sales, expanded 100 bps to 17.2% in the reported quarter.

Post Holdings generated operating profit of \$166.3 million in the reported quarter. This depicts a decline of 15.2% from \$196 million in the year-ago quarter.

Adjusted EBITDA declined 6.2% to \$284.4 million from \$303.1 million in the prior-year quarter, thanks to a sluggish foodservice business.

Segment Details

Post Consumer Brands: Sales in the segment inched up 0.9% year over year to \$445 million in the quarter. Volumes remained flat, owing to declines in private label and government bid business, Malt-O-Meal bag cereal, and licensed brand cereal. These were somewhat offset by growth in Post branded cereals. Segmental profit was \$70.5 million, down 12.5% from the prior-year quarter level.

Weetabix: Segmental sales increased 11.8% to \$113.5 million in the reported quarter. The metric gained from favorable foreign currency movements to the tune of roughly 280 basis points. Volumes increased 8.3%. Volume growth was driven by gains from extruded products, biscuit products, and private label products and exports. These were somewhat offset by declines in drink products, stemming from lower on-the-go consumption amid the COVID-19 pandemic. Segmental profit of \$28.1 million increased 18.6% year over year.

Foodservice: Sales slumped 15.7% to \$354.5 million in the quarter under review, which included benefits of 210 basis points from Henningsen. Volumes declined 20% due to reduced away-from-home demand amid COVID-19 in various foodservice channels like full-service restaurants, quick-service restaurants, lodging, education and travel. Segmental profit was \$10.8 million, down 77% on a year-over-year basis.

Refrigerated Retail: Sales in the segment were \$263.1 million, up 5.3% from the year-ago quarter's levels. Average net pricing in side dish and cheese products remained favorable during the quarter. Volumes grew 1.1% year over year, thanks to higher side dish volumes. Segmental profit of \$33.7 million improved 29.6% year over year.

BellRing Brands: Sales amounted to \$282.4 million, up 15.7% year over year. Sales in the Premier Protein brand were up 17.4%, while volumes increased 21.9%. Net sales improved on the back of RTD shake distribution gains, higher promotional activity and a marginal increase in customer trade inventory levels in the year-ago quarter. Moreover, sales in the Dymatize brand increased 16.2% year over year. However, segmental profit of \$47.8 million fell 3% in the quarter under review.

Financial Details

The company concluded the quarter with cash and cash equivalents of \$1,118 million, long-term debt of \$6,972.1 million and total shareholders' equity of \$2,904.5 million. At the end of the quarter, the company had \$730.6 million remaining under its revolving credit facility.

Cash provided by operating activities was \$114.5 million for the year ended Dec 31, 2020. During the quarter under review, Post Holdings bought back 1.7 million shares for \$159.9 million. It also noted that 0.8 million shares of common stock were repurchased on Feb 3, 2021, for \$80.6 million. Moreover, a new share repurchase program worth \$400 million was approved by the board on Feb 2.

Business Development

So far in 2021, Post Holdings concluded the buyout of the Peter Pan peanut butter brand from Conagra Brands. Also, Post Holdings acquired one of the leading suppliers of hard-cooked and deviled egg products — Almark Foods.

Outlook

Management continues to expect adjusted EBITDA of \$520-\$550 million for the first half of fiscal 2021, with the metric likely to recover in the second half of fiscal 2021. Further, the company still anticipates capital expenditure between \$225 million and \$250 million in fiscal 2021, including nearly \$4 million attributable to BellRing.

Quarter Ending 12/2020

Report Date	Feb 04, 2021
Sales Surprise	2.93%
EPS Surprise	12.50%
Quarterly EPS	0.72
Annual EPS (TTM)	2.70

Recent News

Post Holdings Boosts Portfolio With Almark Foods Buyout - Feb 1, 2021

Post Holdings completed its planned acquisition of Almark Foods (or Almark). Almark, which is renowned for its hard-cooked and deviled egg products, provides conventional, organic and cage-free products. The company's products are distributed widely to retail outlets as well as foodservice distributors. Almark will join Post Holdings' Michael Foods egg business. Further, Almark's financial results are likely to be divided between Post Holdings' Foodservice and Refrigerated Retail operating segments.

Post Holdings Acquires Peter Pan Peanut Butter Brand – Jan 25, 2021

Post Holdings and Conagra Brands unveiled that they closed the previously announced buyout of Conagra's Peter Pan peanut butter brand by the former. Per the deal, Conagra will offer transitional services to enable the shift of the business. Well, the Peter Pan peanut butter is one of the leading brands that caters to a diversified customer base in key channels.

Post Holdings Teams Up With Hungry Planet – Jan 25, 2021

Post Holdings unveiled a collaboration with Hungry Planet Inc., which is a plant-based meat company. As part of this alliance, Post Holdings' Foodservice and Refrigerated Retail segments will work closely with Hungry Planet, in order to extend the distribution of Hungry Planet's renowned plant-based meats. This will help them cater to the growing demand for alternative solutions for protein solutions.

Valuation

Post Holdings' shares are down 1.9% in the year-to-date period and 7.1% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector declined 0.5% and 1%, respectively in the year-to-date period. Over the past year, the Zacks sub-industry is up 5%, while the sector declined 0.4%.

The S&P 500 index is up 5.2% in the year-to-date period and 18.1% in the past year.

The stock is currently trading at 24.05X forward 12-month earnings, which compares to 19.12X for the Zacks sub-industry, 18.91X for the Zacks sector and 22.91X for the S&P 500 index.

Over the past five years, the stock has traded as high as 41.69X and as low as 13.86X, with a 5-year median of 20X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$104 price target reflects 25.25X forward 12-month earnings.

The table below shows summary valuation data for POST

Valuation Multiples - POST					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	24.05	19.12	18.91	22.91
	5-Year High	41.69	22.91	22.42	23.8
	5-Year Low	13.86	14.75	16.5	15.3
	5-Year Median	20	18.53	19.48	17.84
P/S F12M	Current	1.07	1.68	10.04	4.59
	5-Year High	1.38	2.03	11.97	4.59
	5-Year Low	0.73	1.38	8.59	3.21
	5-Year Median	1.03	1.69	10.46	3.68
EV/EBITDA TTM	Current	10.47	13.74	39.84	16.84
	5-Year High	16.82	23.37	45.76	16.96
	5-Year Low	7.5	11.3	27.35	9.55
	5-Year Median	10.22	14.93	39.08	13.25

As of 02/17/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 24% (193 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
B&G Foods, Inc. (BGS)	Neutral	3
Flowers Foods, Inc. (FLO)	Neutral	4
Ingredion Incorporated (INGR)	Neutral	4
Lamb Weston Holdings Inc. (LW)	Neutral	3
MEDIFAST INC (MED)	Neutral	2
McCormick & Company, Incorporated (MKC)	Neutral	3
Tate & Lyle PLC (TATYY)	Neutral	3
TreeHouse Foods, Inc. (THS)	Neutral	3

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

Industry Comparison Industry: Food - Miscellaneous				Industry Peers		
	POST	X Industry	S&P 500	FLO	INGR	MKC
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	4	3
VGM Score	C	-	-	A	A	B
Market Cap	6.40 B	4.29 B	27.78 B	4.72 B	5.82 B	23.21 B
# of Analysts	4	3	13	4	1	6
Dividend Yield	0.00%	0.00%	1.41%	3.59%	2.95%	1.56%
Value Score	B	-	-	B	A	C
Cash/Price	0.17	0.06	0.06	0.06	0.11	0.02
EV/EBITDA	14.87	13.63	14.78	13.65	9.06	22.23
PEG F1	3.87	3.30	2.37	NA	NA	4.49
P/B	2.25	3.28	3.81	3.44	1.96	5.89
P/CF	11.98	12.75	15.45	11.30	9.10	24.73
P/E F1	27.07	22.45	20.87	19.83	13.55	29.48
P/S TTM	1.12	1.42	3.07	1.08	0.97	4.14
Earnings Yield	3.65%	4.06%	4.71%	5.06%	7.38%	3.39%
Debt/Equity	2.40	0.51	0.68	0.70	0.72	0.95
Cash Flow (\$/share)	8.27	2.55	6.70	1.98	9.48	3.48
Growth Score	C	-	-	A	A	B
Historical EPS Growth (3-5 Years)	14.55%	3.23%	9.32%	6.04%	-2.46%	12.02%
Projected EPS Growth (F1/F0)	33.86%	13.62%	13.98%	-14.12%	2.89%	4.18%
Current Cash Flow Growth	-25.16%	4.01%	2.56%	20.32%	-4.94%	5.89%
Historical Cash Flow Growth (3-5 Years)	12.67%	5.21%	7.55%	5.05%	0.37%	10.81%
Current Ratio	2.54	1.79	1.38	1.79	2.46	0.68
Debt/Capital	70.59%	35.84%	41.31%	41.15%	42.51%	48.79%
Net Margin	-0.30%	4.15%	10.60%	3.47%	5.81%	13.34%
Return on Equity	6.44%	11.66%	14.86%	20.58%	15.30%	20.17%
Sales/Assets	0.47	0.93	0.51	1.30	0.93	0.51
Projected Sales Growth (F1/F0)	2.93%	1.91%	6.46%	-4.39%	0.00%	8.11%
Momentum Score	F	-	-	B	C	A
Daily Price Change	-0.31%	0.00%	-0.05%	0.40%	-0.61%	-1.13%
1-Week Price Change	3.84%	1.97%	1.44%	1.07%	4.41%	-0.71%
4-Week Price Change	0.59%	2.61%	1.42%	0.22%	9.09%	-6.32%
12-Week Price Change	3.93%	10.59%	6.38%	1.13%	6.90%	-7.38%
52-Week Price Change	-7.14%	5.75%	8.82%	1.04%	-8.74%	4.80%
20-Day Average Volume (Shares)	469,505	153,744	2,013,641	878,724	613,346	1,289,757
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.44%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-2.68%	0.00%	0.68%	-2.17%	-0.47%	0.57%
EPS F1 Estimate 12-Week Change	-20.75%	0.55%	1.97%	-2.17%	2.72%	1.93%
EPS Q1 Estimate Monthly Change	-18.35%	0.00%	0.27%	3.54%	NA	0.94%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	C
Momentum Score	F
VGM Score	C

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.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

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

Glossary of Terms and Definitions

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

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

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

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

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

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a 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.