

RPM International Inc. (RPM)

\$81.95 (As of 09/18/20)

Price Target (6-12 Months): **\$86.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 07/28/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:B

Value: D

Growth: B

Momentum: C

Summary

RPM's shares have outperformed the industry in the past three months. It has been benefiting from the 2020 MAP to Growth initiative and improved pricing. Notably, its fiscal fourth-quarter year-over-year MAP savings were near the mid-\$20 million range. However, coronavirus-induced global shutdowns largely impacted the overall results. Fourth-quarter fiscal 2020 earnings and sales declined 8.9% each from the prior year. Interruptions in manufacturing and distribution operations, as well as maintenance, repair and construction activities led to the downside. Also, currency headwinds added to the woes. For fiscal 2021, RPM expects net sales growth in low-single digits and adjusted EBIT improvement to be 20% year over year on the back of the Consumer Group's rally.

Price, Consensus & Surprise

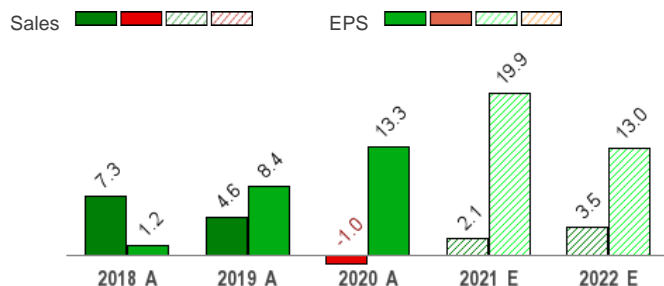


Source: Zacks Investment Research

Data Overview

52-Week High-Low	\$87.80 - \$42.85
20-Day Average Volume (Shares)	463,206
Market Cap	\$10.7 B
Year-To-Date Price Change	6.8%
Beta	1.13
Dividend / Dividend Yield	\$1.44 / 1.8%
Industry	Paints and Related Products
Zacks Industry Rank	Top 11% (28 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.9%
Last Sales Surprise	0.9%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	10/07/2020
Earnings ESP	0.0%
P/E TTM	26.7
P/E F1	22.3
PEG F1	2.5
P/S TTM	1.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	1,543 E	1,455 E	1,232 E	1,732 E	5,822 E
2021	1,489 E	1,394 E	1,188 E	1,610 E	5,625 E
2020	1,473 A	1,401 A	1,174 A	1,459 A	5,507 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.29 E	\$1.00 E	\$0.41 E	\$1.64 E	\$4.16 E
2021	\$1.21 E	\$0.88 E	\$0.33 E	\$1.34 E	\$3.68 E
2020	\$0.95 A	\$0.76 A	\$0.23 A	\$1.13 A	\$3.07 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 09/18/2020. The reports text is as of 09/21/2020.

Overview

RPM International Inc., through its subsidiaries, manufacture and market high-performance coatings, sealants and specialty chemicals, primarily for maintenance and improvement applications.

It operates 124 manufacturing facilities in 26 countries. Its products were sold in nearly 165 countries and territories at the end of fiscal 2020.

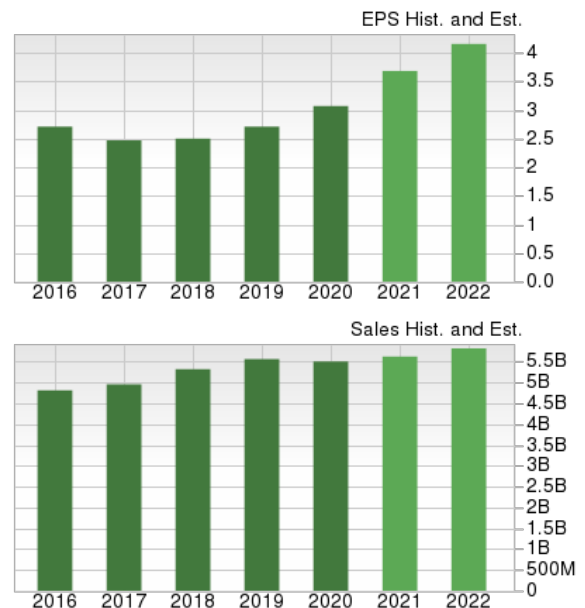
RPM realigned the existing reporting structure into four reportable segments — Construction Products Group, Performance Coatings Group, Consumer Group and Specialty Products Group — to provide greater visibility into the business.

Construction Products Group (“CPG”) (contributing 34.2% to fiscal 2020 net sales) comprises Tremco, Tremco illbruck, Euclid Chemical, Viapol, Vandex and Flowcrete businesses. Products in the segment are sold throughout North America and account for the majority of international sales. Products and services within this segment include construction sealants and adhesives; coatings and chemicals; roofing systems; concrete admixture and repair products; building envelope solutions; insulated cladding; flooring systems; as well as weatherproofing solutions.

Performance Coatings Group (“PCG”) (19.6%) include Stonhard, Carboline, USL and Fibergate businesses. Consumer brands comprise Rust-Oleum and DAP. PCG offers high-performance flooring solutions, corrosion control and fireproofing coatings, infrastructure repair systems, fiberglass reinforced plastic gratings, as well as drainage systems.

Consumer Group’s (35.3%) products include specialty, hobby, professional paints, nail enamels, caulks, adhesives, silicone sealants and wood stains. The segment manufactures professional use and do-it-yourself (“DIY”) products. This segment comprises three operating units — Rust-Oleum Group, DAP Group and SPG-Consumer Group.

Specialty Products Group (10.9%) offers industrial cleaners, restoration services equipment, colorants, nail enamels, exterior finishes, edible coatings and specialty glazes for pharmaceutical and food industries, and other specialty original equipment manufacturer (“OEM”) coatings throughout North America and a few international locations, primarily in Europe.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Acquisitions Driving Growth:** Acquisitions have been an important part of RPM's growth strategy. On Dec 18, 2019, RPM announced that its Mantrose-Hauser business unit has acquired Elgin, IL-based manufacturer of dry stabilizer and emulsifier blends for the food industry — Profile Food Ingredients, LLC. The buyout creates significant opportunities to leverage the combined sales forces of the entities, expand sales of specialty ingredients to the food industry and broaden RPM's reach in international markets.

Acquisitions and 2020 MAP to Growth initiatives bode well for the company

Again on Jun 12, 2019, its Tremco Commercial Sealants & Waterproofing unit acquired two Hudson, NH-based businesses, namely Schul International Co., LLC and Willseal LLC. Also, on Sep 10, 2018, the company acquired Nudura, a leading manufacturer and distributor of insulated concrete forms ("ICF") in North America. The company's CPG unit benefits from the acquisition, as Nudura complements and expands its product offerings, as well as leverages manufacturing efficiencies for its NewBrick product.

The company made three buyouts in fiscal 2020, five in fiscal 2019 and seven in fiscal 2018. Acquisitions added 1.1% to net sales in fiscal 2020 and 1.4% in fiscal 2019.

▲ **Cost-Saving Initiatives Strong:** The company is well on track to reduce costs by closing plants, merging IT system, centralizing more of its back-office functions and rationalizing its manufacturing footprint. Notably, in fiscal 2018, the company took multi-year restructuring plan, the 2020 Margin Acceleration Plan ("2020 MAP to Growth") to maintain a balance between its segments' performance as well as to drive growth. The initiative has started paying off, as is evident from earnings and margin growth in fiscal 2020. Its fiscal 2020 earnings increased 13.3% and adjusted EBIT margin improved 110 basis points (bps) year over year.

RPM's 2020 MAP to Growth optimizes its manufacturing facilities, and is expected to provide more efficient plant and distribution facilities. In fact, during the fiscal fourth quarter, RPM announced the closure of three additional plants, which brings the total to 22, out of the 31 plants that were originally targeted for closure at the beginning of the MAP to Growth program. The company realized 2020 MAP to Growth savings of \$21 million in the fiscal third quarter, of which \$5 million was contributed from manufacturing, \$12 million from procurement and \$4 million from G&A. Fiscal fourth-quarter savings were near the mid-\$20 million range.

With the COVID-19 pandemic slowing down economic and business activities, RPM has been extending out the timeline from its original MAP to Growth goals in terms of their ultimate achievement.

▲ **Construction Products Group, Major Growth Driver:** With more than 34% of total sales coming from the CPG (earlier known as the Industrial segment), the unit acts as a key catalyst behind the company's overall growth. The segment has been reporting impressive numbers over the last few quarters.

The segment has been witnessing strength in its U.S. roofing business. Notably, the U.S. roofing business' sales and earnings grew strongly in fiscal 2020 despite restrictions to contain coronavirus spread. The segment's fiscal 2020 adjusted EBIT increased 15.3% year over year, backed by the operating improvement plan, which included the consolidation of two manufacturing facilities, and other cost-saving initiatives.

Going forward, acquisitions, cost-saving initiatives and 2020 MAP to Growth plans are expected to drive growth.

▲ **Enough Liquidity to Meet the Crisis:** RPM has a strong balance sheet position and enough liquidity to manage the ongoing crisis. The company ended the fiscal 2020 with cash and cash equivalents of \$233.4 million, slightly higher than \$223.2 million in fiscal 2019. Its current cash level is sufficient to meet the short-term obligation of \$80.9 million, which is way below \$552.4 million reported at fiscal 2019-end. Also, it has \$877 million available liquidity under the revolving credit facility on May 31, 2020.

As of May 31, 2020, RPM had a long-term debt — less current maturities (including operating lease liabilities) — of \$2.7 billion, higher than \$1.97 billion in fiscal 2019. Although the company's long-term debt is higher than the year-ago period, it has no significant debt maturity until November 2022.

Notably, the company generated a record cash flow of \$549.9 million during fiscal 2020, driven by good working capital management and margin improvement initiatives.

Reasons To Sell:

- ▼ **Coronavirus to Weigh on RPM's Business:** Coronavirus-induced global shutdowns are likely to impact RPM's business. The fiscal fourth-quarter results were mostly impacted by economic slowdown due to the pandemic, which interrupted manufacturing and distribution operations, as well as maintenance, repair and construction activities across the world.

COVID-19 is disrupting the company's ability to implement new initiatives under the current restructuring program. Due to this pandemic, RPM extended the timeline for achieving MAP to Growth goals. As markets stabilize and RPM gains more clarity into business conditions, it will communicate its new MAP to Growth timeline.

Meanwhile, it anticipates Construction Products Group and Performance Coatings Group sales to decline in the first three quarters of fiscal 2021. The Specialty Products Group is expected to face negative sales comparisons in the first two quarters of fiscal 2021. Also, the company is not providing any earnings guidance for fiscal 2021 due to uncertainty regarding the duration and severity of the pandemic.

- ▼ **Foreign Currency Headwinds:** RPM's business is exposed to foreign exchange rate fluctuation risks due to its operations in Europe and other parts of the world. In fiscal 2019, the company's overall net sales were affected due to the negative impact of foreign currency translation.

Again, foreign currency headwinds negatively impacted fiscal 2020 sales growth by 1.3% from the year-ago period. Notably, unfavorable currency fluctuations impacted the top line across its segments.

- ▼ **Inclement Weather:** Adverse weather conditions have affected sales of paint, coatings, roofing, construction products and related products. Extreme cold and rainy weather, especially during the general construction and exterior painting season, could have an adverse effect on sales of such products. Historically, the company's fiscal third quarter (December through February) faces weaker sales and net income compared with other quarters

- ▼ **Higher Costs & Expenses:** RPM's business has been witnessing higher costs and expenses related to restructuring, acquisitions, labor, distribution and freight. Also, acquisitions-related expenses are raising a concern. RPM incurred \$121.3 million and \$126 million of restructuring and other charges related to the company's 2020 MAP to Growth, and acquisition-related expenses during fiscal 2020 and 2019, respectively.
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Coronavirus-induced business slowdown, foreign exchange rate fluctuation and weather-related woes mar prospects.

Last Earnings Report

RPM International Q4 Earnings Beat Estimates, Fall Y/Y

RPM International Inc. reported mixed fourth-quarter fiscal 2020 results, wherein earnings beat the Zacks Consensus Estimate, while revenues missed the same. However, both the metrics declined on a year-over-year basis.

Earnings & Revenue Discussion

The company reported adjusted earnings of \$1.13 per share, beating the consensus mark of \$1.01 by 11.9%. However, the reported figure declined 8.9% from the year-ago \$1.24 per share.

Quarterly net revenues of \$1,458.9 million missed the consensus mark of \$1,493 million by 2.3%. The top line also declined 8.9% year over year primarily because of temporary store closures owing to strict COVID-19 protocols. Also, interruptions in manufacturing and distribution operations as well as maintenance, repair and construction activities led to the downside. Adjusted EBIT fell 11.5% from the prior year to \$213.6 million.

Segment Details

Construction Products Group (contributing 32.4% to fiscal fourth-quarter net sales): During the fiscal fourth quarter, sales at the segment declined 15.6% year over year to \$472.4 million from \$559.6 million reported in the year-ago quarter. The decline was primarily due to a 13.9% fall in organic sales and 2.4% impact of unfavorable foreign currency. However, a contribution of 0.7% from acquisitions partially offset the negatives. Although the segment fared comparatively well in the United States, International business was hampered significantly due to currency headwinds. Adjusted EBIT came in at \$77.3 million, indicating a decline of 12.1% from \$87.9 million reported in the year-ago quarter.

Performance Coatings Group (16.1%): Segment sales fell 20.2% from a year ago to \$235.1 million, owing to a 18.3% drop in organic sales and 2% impact of unfavorable foreign currency. However, a contribution of 0.2% from acquisitions partially made up for the negatives. The downside can be primarily attributed to limited access to contractor facilities to contain the spread of coronavirus. Adjusted EBIT came in at \$23.7 million, indicating a decline of 31.9% from \$34.7 million reported in the year-ago quarter.

Consumer Group (42.2%): Sales of \$616.2 million at the segment increased 6.7% from the prior-year period, backed by 7.7% organic growth. However, foreign currency translation impacted sales unfavorably by 1%. Adjusted EBIT came in at \$104.5 million, indicating a decline of 4% from \$108.8 million reported in the year-ago quarter. Notably, temporary shutdown of stores due to stricter lockdown orders negatively impacted the segment in the international markets.

Specialty Products Group (9.3%): The segment's sales totaled \$135.2 million, which declined 20.3% on a year-over-year basis, owing to a 23.1% fall in organic sales and 0.8% foreign currency impact. However, contribution of 3.6% from acquisitions partially offset the negatives. The dismal performance is primarily attributed to the sluggish environment in the OEM markets owing to the pandemic. Notably, Adjusted EBIT came in at \$7.3 million, indicating a decline of 72% from \$26.2 million reported in the year-ago quarter.

Balance Sheet

As of May 31, 2020, RPM's cash and cash equivalents amounted to \$233.4 million compared with \$223.2 million as on May 31, 2019. Long-term debt (excluding current maturities) at the end of the fiscal fourth quarter totaled \$2.46 billion compared with \$1.97 billion recorded in the year-ago period. At the end of the fiscal fourth quarter, cash provided by operations totaled \$549.9 million compared with \$292.9 million in the year-ago period.

Fiscal 2020 Highlights

Net sales totaled \$5.51 billion, down 1% from fiscal 2019 due to a 0.8% decline in organic sales and 1.3% impact of foreign currency translation. Fiscal 2020 adjusted EPS increased 13.3% to \$3.07 from \$2.71 a year ago. EBIT for fiscal 2020 was reported at \$499 million, up 13% from \$441.5 million reported last year. Fiscal 2020 adjusted EBIT was up 9.3% year over year.

2021 Outlook

After easing of lockdown restrictions, for the first quarter of fiscal 2021, RPM anticipates net sales growth in low single digits, while adjusted EBIT growth is expected at approximately 20%.

For fiscal 2021, the company anticipates Construction Products Group and Performance Coatings Group sales decline for the first three quarters and then growth in the fourth quarter. The Specialty Products Group is expected to face negative sales comparisons in the first two quarters, while Consumer Group is likely to continue its sales momentum.

RPM chairman and CEO Frank C. Sullivan, stated, "We remain laser-focused on advancing our MAP to Growth program and managing our businesses to drive efficiency. We continue to identify numerous opportunities for self-improvement and remain on track to reach our targeted \$290 million in annualized savings over the course of the program."

However, due to the uncertainty regarding the duration and severity of the pandemic, the company is not providing any earnings guidance for fiscal 2021.

Quarter Ending	05/2020
Report Date	Jul 27, 2020
Sales Surprise	0.88%
EPS Surprise	11.88%
Quarterly EPS	1.13
Annual EPS (TTM)	3.07

Valuation

RPM shares are up 6.8% in the year-to-date period and 21.5% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Construction sector are up 16.4% and 6.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 26.5% and 13.6%, respectively.

The S&P 500 index is up 3% in the year-to-date period and 11.4% in the past year.

The stock is currently trading at 21.4X forward 12-month earnings, which compares to 27.04X for the Zacks sub-industry, 17.47X for the Zacks sector and 21.92X for the S&P 500 index.

Over the past five years, the stock has traded as high as 26.14X and as low as 12.04X, with a 5-year median of 18.24X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$86 price target reflects 22.46X forward 12-month earnings.

The table below shows summary valuation data for RPM.

Valuation Multiples - RPM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	21.4	27.04	17.47	21.92
	5-Year High	26.14	27.04	18.98	23.44
	5-Year Low	12.04	17.51	10.75	15.26
	5-Year Median	18.24	20.81	15.88	17.63
P/S F12M	Current	1.87	3.46	1.87	4.04
	5-Year High	1.99	3.46	2.12	4.29
	5-Year Low	1.01	1.7	1.17	3.11
	5-Year Median	1.37	2.23	1.65	3.66
EV/EBITDA TTM	Current	16.3	22.28	17.99	14.33
	5-Year High	17.12	25.43	21.49	15.61
	5-Year Low	8.48	13.14	12.46	9.51
	5-Year Median	12.62	18.97	17.77	13.01

As of 09/18/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 11% (28 out of 251)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
The SherwinWilliams Company (SHW)	Outperform	2
Ashland Global Holdings Inc. (ASH)	Neutral	3
Celanese Corporation (CE)	Neutral	3
Ferro Corporation (FOE)	Neutral	3
H. B. Fuller Company (FUL)	Neutral	2
Kraton Corporation (KRA)	Neutral	2
Ingevity Corporation (NGVT)	Neutral	3
PPG Industries, Inc. (PPG)	Neutral	3

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

Industry Comparison Industry: Paints And Related Products				Industry Peers		
	RPM	X Industry	S&P 500	ASH	FUL	NGVT
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	2	-	-	3	2	3
VGM Score	B	-	-	B	A	B
Market Cap	10.65 B	10.65 B	23.70 B	4.30 B	2.56 B	2.29 B
# of Analysts	7	7.5	13	4	6	4
Dividend Yield	1.76%	0.77%	1.63%	1.55%	1.31%	0.00%
Value Score	D	-	-	C	B	B
Cash/Price	0.02	0.05	0.07	0.09	0.03	0.08
EV/EBITDA	19.34	21.43	13.12	11.53	10.53	9.32
PEG F1	2.45	2.38	2.93	2.69	2.45	NA
P/B	8.41	6.04	3.26	1.43	2.10	4.39
P/CF	19.12	21.54	12.78	9.37	8.57	7.93
P/E F1	22.27	30.32	21.44	28.77	19.11	15.61
P/S TTM	1.93	3.49	2.49	1.85	0.92	1.88
Earnings Yield	4.49%	3.30%	4.44%	3.48%	5.24%	6.41%
Debt/Equity	1.94	1.26	0.70	0.51	1.57	2.50
Cash Flow (\$/share)	4.29	5.07	6.94	7.58	5.78	7.01
Growth Score	B	-	-	B	C	C
Historical EPS Growth (3-5 Years)	3.39%	5.51%	10.42%	-23.34%	6.66%	34.18%
Projected EPS Growth (F1/F0)	19.96%	8.12%	-4.74%	-1.20%	-12.33%	-27.79%
Current Cash Flow Growth	9.79%	1.09%	5.29%	-10.53%	-2.06%	25.74%
Historical Cash Flow Growth (3-5 Years)	5.67%	8.21%	8.50%	-11.65%	9.17%	12.19%
Current Ratio	2.22	2.05	1.35	1.78	2.05	3.09
Debt/Capital	66.03%	51.40%	42.92%	33.92%	61.02%	71.45%
Net Margin	5.53%	7.68%	10.26%	-4.39%	4.43%	13.89%
Return on Equity	29.73%	21.23%	14.69%	4.79%	11.86%	36.42%
Sales/Assets	0.98	0.84	0.51	0.33	0.70	0.55
Projected Sales Growth (F1/F0)	2.14%	2.14%	-1.42%	-7.74%	-6.31%	-11.33%
Momentum Score	C	-	-	C	B	C
Daily Price Change	-2.21%	0.00%	-1.15%	-1.93%	-2.34%	-1.87%
1-Week Price Change	-0.86%	0.00%	-1.90%	-2.12%	-0.02%	-3.98%
4-Week Price Change	-3.46%	0.00%	0.06%	-5.39%	2.27%	-5.09%
12-Week Price Change	10.67%	2.88%	7.27%	4.30%	15.71%	11.58%
52-Week Price Change	18.99%	18.99%	0.33%	-7.63%	3.57%	-37.14%
20-Day Average Volume (Shares)	463,206	14,221	1,916,343	393,745	297,951	220,385
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.00%	-0.27%	0.00%	-0.77%
EPS F1 Estimate 12-Week Change	8.96%	15.66%	4.12%	13.56%	10.11%	-0.14%
EPS Q1 Estimate Monthly Change	0.00%	-0.04%	0.00%	6.28%	0.00%	0.80%

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	D
Growth Score	B
Momentum Score	C
VGM Score	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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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 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.

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.