

Rayonier Inc. (RYN)

\$30.06 (As of 12/09/20)

Price Target (6-12 Months): **\$32.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/03/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: F

Summary

Rayonier owns a portfolio of timberlands in some of the most productive timber-growing regions of the U.S. South, Pacific Northwest and New Zealand. The company banked on strategic acquisitions to add high-quality timberlands in the solid log markets. A rebound in the housing construction activities and the positive impact on wood products prices indicate an improvement in log prices. Also, its robust balance sheet bodes well. Recent developments in the field of biogenetics and cloning have provided a tremendous impetus to the timberland REIT's business. However, cut-throat competition from national, local players and substitutes plus the pandemic-led market choppiness pose challenges in the near term, while exposure to foreign markets exposes it to currency fluctuations. Its shares have underperformed the industry over the past year.

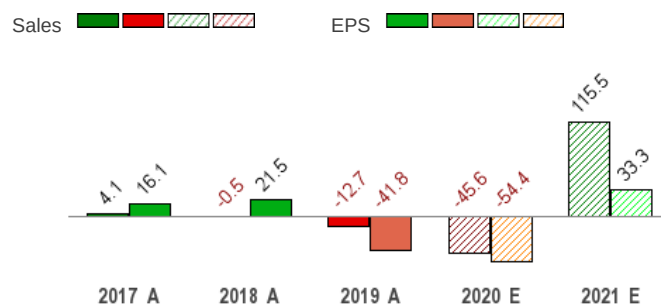
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$33.10 - \$15.96
20-Day Average Volume (Shares)	382,467
Market Cap	\$4.1 B
Year-To-Date Price Change	-8.2%
Beta	0.99
Dividend / Dividend Yield	\$1.08 / 3.6%
Industry	Building Products - Wood
Zacks Industry Rank	Top 23% (58 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	50.0%
Last Sales Surprise	9.1%
EPS F1 Estimate 4-Week Change	0.0%
Expected Report Date	02/03/2021
Earnings ESP	0.0%
P/E TTM	103.7
P/E F1	143.1
PEG F1	NA
P/S TTM	4.9

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	198 E	199 E	200 E	210 E	834 E
2020	143 A	196 A	199 A		387 E
2019	192 A	185 A	156 A	179 A	712 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.02 E	\$0.01 E	\$0.04 E	\$0.07 E	\$0.28 E
2020	\$0.00 A	\$0.11 A	\$0.06 A	\$0.04 E	\$0.21 E
2019	\$0.19 A	\$0.14 A	\$0.00 A	\$0.12 A	\$0.46 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 12/09/2020. The reports text is as of 12/10/2020.

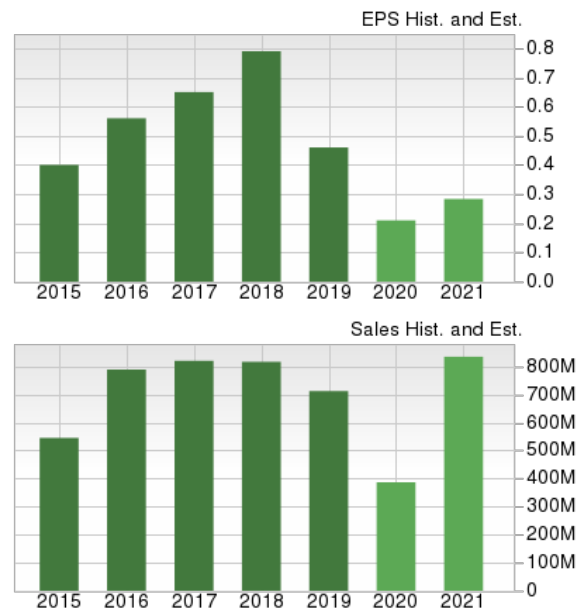
Overview

Jacksonville, FL-based Rayonier Inc. is a leading pure-play timberland real estate investment trust (REIT). The company, as of Sep 30, 2020, owned, leased or managed 2.7 million acres of timberlands across the United States and New Zealand. Its portfolio includes 1.8 million acres in the U.S. South and 507,000 acres in the U.S. Pacific Northwest and 416,000 acres of timberlands in New Zealand.

In May 2020, Rayonier completed the acquisition of Pope Resources. The transaction led to the addition of roughly 124,000 acres of timberlands in Washington that have been integrated with the Pacific Northwest Timber segment. Further, it resulted in addition of ownership interests in three private equity timber funds comprising approximately 141,000 acres, along with a fund management business that oversees these timber funds. This collectively comprise the company's new Timber Funds segment. Moreover, Rayonier gained a higher-and-better-use real estate pipeline comprising rural and conservation land sale opportunities and high-potential improved development projects in the West Puget Sound area. This will be reflected in the Real Estate segment.

The company currently operates in six segments — Southern Timber, Pacific Northwest Timber, New Zealand Timber, Timber Funds, Real Estate and Trading. Southern Timber, Pacific Northwest Timber and New Zealand Timber segments comprise all activities associated with harvesting of timber, as well as other non-timber income activities.

The Timber Funds segment represents the operations of the three private equity timber funds included in the transaction — Fund II, Fund III and Fund IV. The Real Estate segment comprises all U.S. and New Zealand land or leasehold sales. Further, the Trading segment mainly includes log trading activities that support the company's New Zealand operations. This segment is engaged in offering additional market intelligence, thereby growing the scale of export operations and realizing cost savings, which benefit the New Zealand Timber segment. Also, it offers market intelligence that benefits Southern and Pacific Northwest export log marketing.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ Rayonier owns or leases 2.7 million acres of timberlands in some of the most productive timber-growing regions of the U.S. South, Pacific Northwest and New Zealand. Further, the timberlands are strategically located near the pulpwood consuming mills which manufacture products for the growing end-markets. Moreover, about 62% of Rayonier's Southern timberlands are positioned in the top two markets. Over the last several years, lumber production and capacity in the U.S. South has grown significantly, a trend that is expected to continue. Moreover, growth in demand for softwood pulpwood has remained strong and is poised to pick up the pace on expanding oriented strand board capacity investments. In fact, the company expects softwood log and lumber imports to China to remain strong, given its growing timber supply deficit.
- ▲ Moreover, housing construction as well as repair and remodeling activity have rebounded sharply, driving record highs for wood products prices throughout the United States. This is likely to result in improved log prices over the long term. Particularly, in its Southern Timber segment, the company expects adjusted EBITDA to be around the higher end of its prior guidance of \$104-\$109 million and higher full-year harvest volumes of 6.2 million tons, mainly because of robust pulpwood and sawtimber demand. In addition, in its Pacific Northwest Timber segment, the company expects adjusted EBITDA above its prior guidance of \$30-\$32 million and higher full-year harvest volumes of 1.6-1.7 million tons as a result of incremental volume from the acquired Pope Resources timberlands. Both segments have been impacted by Hurricane Laura and the Oregon wildfires, respectively. Nevertheless, strengthening end markets and a higher-value species mix will likely result in improved Pacific Northwest sawtimber pricing. Moreover, the company noted that shorter-than-anticipated shutdown of economic activity in New Zealand will likely result in adjusted EBITDA near the higher end of its previous outlook of \$50-\$56 million and higher full-year harvest volumes of 2.5 million tons. Also, continued solid demand for rural properties as well as an improved demand outlook for development properties is likely to buoy adjusted EBITDA of the Real Estate segment above the company's prior guidance.
- ▲ The company has banked on strategic acquisitions to expand its portfolio and improve portfolio quality. The company's acquisitions are complementary to age-class profile and improved portfolio site index and inventory stocking. Timberlands buyouts for the first three quarters amounted to \$24.4 million. In early May, Rayonier completed the acquisition of Pope Resources in a cash-and-stock deal. The buyout is a strategic fit for Rayonier as it substantially enhanced the scale of the company's Pacific Northwest timberland portfolio. Also, quality of Rayonier's Pacific Northwest portfolio got uplifted as proportion of Douglas-fir merchantable inventory increased. The move added to the geographic and log market diversity, as well as increased the proportion of ground-based logging, with significantly lower operating costs.
- ▲ Rayonier constantly strives for finding alternative uses of the timberlands for higher and better uses (HBU) and there are many attractive HBU opportunities across the U.S. South, mainly in the Florida and Georgia coastal corridor. The company remains focused on unlocking long-term value of its HBU development and rural property portfolio in its real estate segment. Moreover, the acquisition of Pope Resources enhanced the pipeline of value-added HBU and real estate development opportunities. Also, the company has significantly improved its average HBU price realizations in recent years.
- ▲ Recent developments in the field of biogenetics and cloning have provided a tremendous impetus to the timberland REIT's business. Application of biogenetics leads to fast-growth in trees, ensuring proper sizes for maximum extraction of wood.
- ▲ The company enjoys solid adjusted EBITDA margins, high EBITDA-to-Free Cash Flow conversion and a well-staggered maturity profile. Recurring cash generation from operations provides the company with sufficient capacity to maintain the productivity of timberlands through replanting and silviculture, and pursue timberland acquisitions. Annually, it invests nearly \$35 million in silviculture and regeneration. The company's concerted measures in recent quarters have significantly strengthened its balance sheet, bolstered liquidity position and helped funding for acquisitions. Rayonier ended the third quarter with \$78.2 million in cash and cash equivalents, up from the \$68.7 million recorded as of Dec 31, 2019. Hence, with manageable near-term capital commitments, Rayonier has ample liquidity to navigate through the challenging market conditions amid the pandemic, and withstand any credit crisis. Lastly, the company has a strong credit profile, with significant asset coverage.
- ▲ Moreover, the company remains committed to boosting shareholders' wealth through dividend hikes and share buybacks. It increased the quarterly dividend by 8% to 27 cents per share, effective second-quarter 2018, and thereafter maintained the same dividend rate. Apart from dividend hikes, the company remains committed to increase shareholder value through share buybacks. As of Sep 30, 2020, the company had a remaining share-buyback authorization of \$87.7 million. Such moves boost investors' confidence in the stock.

Geographical diversity, favorable demand-supply dynamics, ample liquidity, disciplined acquisition strategy, and recent development in biogenetics and cloning keeps Rayonier's momentum going.

Reasons To Sell:

- ▼ Rayonier faces cut-throat competition in the market from national and local players, regarding a number of factors, including quality and price. Additionally, wood products, in general, encounter increasing rivalry from a variety of substitute products, like non-wood and engineered wood products.
- ▼ The company's earnings are susceptible to foreign exchange fluctuations because a number of its segments export products outside the nation. Specifically, the Pacific Northwest exports huge volumes of timber to China. The New Zealand Timber segment sells timber to mills in New Zealand as well as exports to markets in China, Korea and India.
- ▼ The COVID-19 outbreak and the continued shutdown of non-essential businesses have affected the economy, and led to dislocations and volatility in the global capital markets. Although the situation has been improving with reopening of economy worldwide, any significant turnaround is unlikely unless the health crisis is resolved. In situations of lower business activity, the economy would continue being affected and this would as well impact the timber markets.
- ▼ Timberland business is governed by federal rules and state forestry commissions. In other words, timberland REITs have to comply with strict regulatory requirements compared with other industries. These laws and regulations, which are subject to frequent changes, adversely affect the business of the timberland REIT. Further, due to the very nature of their properties, the timberland REITs are required to follow eco-friendly mandates in their trade.
- ▼ Shares of Rayonier have underperformed its industry over the past year. The stock has declined 4.9% compared with its industry's growth of 22.9%. Moreover, Rayonier's 2020 earnings estimate revisions do not indicate a favorable outlook. The Zacks Consensus Estimate for 2020 earnings has remained unchanged over the past month. Therefore, given the above-mentioned headwinds and lack of upward estimate revisions, the stock has limited upside potential in the near term.

Tough compliance requirements, seasonality of forest products industry, cut-throat competition from national and local players, and the pandemic-led market choppiness pose concerns before Rayonier.

Last Earnings Report

Rayonier Surpasses Q3 Earnings & Revenue Estimates - Oct 29, 2020

Rayonier recorded third-quarter 2020 pro forma net income per share of 6 cents, surpassing the Zacks Consensus Estimate of 4 cents. Results reflect increase in operating income in the real estate segment. The company had reported break-even figures on per share basis.

Quarterly results also reflect a rise in revenues. However, adverse impact of Hurricane Laura and the Beechie Creek Fire marred results to some extent.

Revenues were up 27.2% year over year to \$198.9 million. In addition, the revenue figure outpaced the Zacks Consensus Estimate of \$182.3 million.

During the September-end quarter, Rayonier's Southern Timber and Timber Funds segments were affected by Hurricane Laura and Beechie Creek Fire, respectively. In the Southern Timber segment, the company wrote off timber basis to the amount of \$6 million. In the Timber Funds segment, it wrote off timber basis of \$9.2 million, of which \$1.9 million was attributable to Rayonier.

Segmental Performance

During the third quarter, operating income at the company's Southern Timber segment came in at \$5.1 million, down from the prior-year quarter's \$9.5 million. This downside resulted from the write-offs from Hurricane Laura and lower non-timber income. However, these negatives were partially offset by higher volumes, net stumpage prices and lower depletion rates and lease and other expenses.

The Pacific Northwest Timber segment reported an operating loss of \$1.8 million, significantly narrower than the operating loss of \$3.6 million posted in third-quarter 2019. This was mainly due to higher net stumpage prices and non-timber income, muted by higher depletion rates, and overhead costs and road maintenance costs to some extent.

The New Zealand Timber segment recorded an operating income of \$10.7 million, up from the year-earlier number of \$10.1 million. Results indicate higher volumes, carbon credit sales and lower depletion rates, partly negated by lower net stumpage prices and unfavourable foreign-exchange impact.

The Timber Funds segment reported an operating loss of \$12.4 million in the third quarter. This was mainly due to the wildfires in Oregon.

Real Estate's operating income of \$9.5 million was significantly up from the year-ago figure of \$0.4 million. This chiefly resulted from a higher number of acres sold, partially muted by a decrease in weighted-average prices.

The Trading segment posted an operating loss of \$0.6 million during the July-September quarter, flat year on year.

Liquidity

Rayonier ended the third quarter with \$78.2 million in cash and cash equivalents, up from \$68.7 million recorded as of Dec 31, 2019. However, total long-term debt was \$1.38 billion, up 41.7% from \$973.1 million as on Dec 31, 2019.

Outlook

Rayonier expects current-year earnings per share to be around the higher end of its prior guidance of 17-21 cents. Further, the company expects full-year Adjusted EBITDA to be slightly above than the higher end of its previous estimate of \$17-\$20 million.

Quarter Ending	09/2020
Report Date	Oct 28, 2020
Sales Surprise	9.14%
EPS Surprise	50.00%
Quarterly EPS	0.06
Annual EPS (TTM)	0.29

Recent News

Rayonier Accomplishes Pope Resources Acquisition – May 8, 2020

Rayonier completed the acquisition of Pope Resources. The move is in sync with the company's strategy of adding high-quality timberlands in strong log markets and will enhance the long-term value for shareholders.

Moreover, Rayonier assumed \$45 million of Pope Resources' term credit facility. This comprised a number of tranches with maturity dates ranging from 2025 to 2036 and weighted average interest rate of 4.1%.

Per the agreement terms of this cash-and-stock transaction, Pope Resources unitholders had the right to elect to receive 3.929 Rayonier common shares (the "Stock election"), 3.929 units of the operating partnership of Rayonier (the "Opco Election"), or \$125 in cash (the "Cash Election") in exchange for each unit of Pope Resources, subject to a proration mechanism.

The total consideration paid by Rayonier to acquire all of the outstanding limited partnership units of Pope Resources (excluding units already owned by Rayonier) and the general partnership interests of Pope Resources comprises \$169.5 million of cash, 7.1 million common shares of Rayonier and 4.6 million Opco units of Rayonier L.P.

The acquisition is a strategic fit for Rayonier as it will substantially enhance the scale of the company's Pacific Northwest timberland portfolio. According to Rayonier's prior announcement about the deal in January, the buyout leads to adding 125,000 acres of fee ownership and increasing sustainable yield by 57 MMBF (or 455,000 tons) annually. Moreover, the quality of Rayonier's Pacific Northwest portfolio gets uplift, as the proportion of Douglas-fir merchantable inventory will increase from 60% to 68%. The move adds to the geographic and log market diversity, as well as increases the proportion of ground-based logging, with significantly lower operating costs.

The acquisition will also result in adding 17,000 "look-through" acres from timber fund business as well as offer the scope to capitalize on regional expertise in silvicultural practices, log marketing and logistics. Furthermore, the move will solidify the pipeline of value-added HBU and real estate development opportunities, including projects in Gig Harbor, Port Gamble, Kingston and Bainbridge Island in the west Puget Sound area.

The acquisition will lead to expected synergies of \$5 million annually. The company will benefit from the reduction of overhead expenses and elimination of redundant public company costs. Additionally, there is an opportunity to lower debt through portfolio optimization and large dispositions. Further, the umbrella partnership real estate investment trust ("UPREIT") structure provides tax deferral option for Pope unitholders, while facilitating future timberland buyouts prospects for Rayonier.

Dividend Update

On Oct 19, Rayonier announced the fourth-quarter cash dividend of 27 cents per share on its common stock. The dividend will be paid out on Dec 31, to its shareholders of record as of Dec 17, 2020.

Valuation

Rayonier shares have been down 4.9% in the trailing 12 months. Stocks in the Zacks sub-industry have increased 22.9% while the Zacks

Construction sector has gained 15.3% over the past year, respectively.

The S&P 500 Index is up 18.2% over the past year.

The stock is currently trading at 107.70X forward 12-month price to earnings versus 24.88X for the Zacks sub-industry, 17.08X for the Zacks sector and 22.89X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 114.20X and as low as 33.96X, with a 5-year median of 59.75X. Our neutral recommendation indicates that the stock will perform in line with the market. Our \$32 price target reflects 114.65X forward 12-month earnings.

The table below shows summary valuation data for RYN.

Valuation Multiples - RYN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	107.7	24.88	17.08	22.89
	5-Year High	114.2	41.06	17.08	23.47
	5-Year Low	33.96	16.74	11.6	15.27
	5-Year Median	59.75	23.88	14.46	17.77
P/S F12M	Current	4.92	3.19	7.07	4.31
	5-Year High	6.49	3.41	7.07	4.31
	5-Year Low	3.2	1.41	5.01	3.17
	5-Year Median	5.4	2.72	6.1	3.68
P/B TTM	Current	2.22	3.49	2.78	6.28
	5-Year High	2.98	3.55	2.93	6.28
	5-Year Low	1.57	1.6	1.74	3.74
	5-Year Median	2.31	2.62	2.57	4.92

As of 12/09/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 23% (58 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
CatchMark Timber Trust, Inc. (CTT)	Neutral	3
Farmland Partners Inc. (FPI)	Neutral	4
Innovative Industrial Properties, Inc. (IIPR)	Neutral	2
Gladstone Land Corporation (LAND)	Neutral	3
Potlatch Corporation (PCH)	Neutral	3
Safehold Inc. (SAFE)	Neutral	3
Weyerhaeuser Company (WY)	Neutral	2
EPR Properties (EPR)	Underperform	5

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

Industry Comparison Industry: Building Products - Wood				Industry Peers		
	RYN	X Industry	S&P 500	CTT	PCH	WY
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	2
VGM Score	D	-	-	C	B	B
Market Cap	4.10 B	3.26 B	25.77 B	455.47 M	3.19 B	23.67 B
# of Analysts	1	3	14	3	2	3
Dividend Yield	3.59%	0.44%	1.49%	5.78%	3.35%	2.14%
Value Score	D	-	-	D	C	D
Cash/Price	0.02	0.06	0.06	0.00	0.05	0.03
EV/EBITDA	22.42	17.86	14.68	-18.78	23.60	42.75
PEG F1	NA	0.84	2.77	NA	NA	NA
P/B	2.22	3.07	3.55	3.36	2.67	2.78
P/CF	20.70	20.70	13.89	NA	25.38	29.72
P/E F1	143.71	16.17	22.00	NA	17.02	26.65
P/S TTM	4.93	1.73	2.84	4.45	3.52	3.37
Earnings Yield	0.70%	6.03%	4.38%	-3.53%	5.88%	3.75%
Debt/Equity	0.74	0.66	0.70	3.23	0.59	0.70
Cash Flow (\$/share)	1.45	1.67	6.94	-1.47	1.88	1.07
Growth Score	C	-	-	B	A	A
Historical EPS Growth (3-5 Years)	-7.61%	5.39%	9.69%	NA	3.00%	-13.80%
Projected EPS Growth (F1/F0)	-54.35%	77.88%	1.00%	82.46%	250.63%	205.13%
Current Cash Flow Growth	-23.97%	-27.92%	5.22%	-24.67%	-41.03%	-42.27%
Historical Cash Flow Growth (3-5 Years)	-0.65%	21.03%	8.33%	NA	1.90%	-8.57%
Current Ratio	1.83	2.14	1.38	1.37	1.73	2.46
Debt/Capital	44.70%	39.56%	42.00%	76.34%	37.29%	41.20%
Net Margin	5.14%	4.90%	10.40%	-25.76%	8.62%	7.00%
Return on Equity	2.29%	16.48%	14.99%	-16.84%	9.37%	7.57%
Sales/Assets	0.25	1.13	0.50	0.16	0.41	0.42
Projected Sales Growth (F1/F0)	0.00%	6.90%	0.35%	-6.17%	19.74%	15.80%
Momentum Score	F	-	-	C	C	A
Daily Price Change	1.69%	1.90%	-0.24%	0.11%	2.91%	2.95%
1-Week Price Change	5.74%	0.00%	1.73%	-2.18%	1.47%	7.00%
4-Week Price Change	10.39%	11.53%	4.03%	2.64%	10.97%	11.69%
12-Week Price Change	9.91%	10.07%	12.51%	0.21%	12.78%	9.61%
52-Week Price Change	-4.93%	22.58%	6.69%	-21.05%	11.70%	8.11%
20-Day Average Volume (Shares)	382,467	345,492	1,945,847	239,509	406,477	3,779,693
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%	0.07%	0.00%	0.00%	0.18%	8.51%
EPS F1 Estimate 12-Week Change	-2.33%	20.30%	3.87%	5.66%	19.36%	40.00%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	0.24%	38.54%

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	C
Momentum Score	F
VGM Score	D

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 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.