Sep 25, 2020

Charles Schwab Corp. (SCHW)

$34.36 (As of 09/24/20)

Price Target (6-12 Months): **$36.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 01/13/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: F | Growth: F | Momentum: F	**4-Sell** VGM:F

Summary

Schwab's shares have underperformed the industry so far this year. The company doesn't have a decent earnings surprice history. In the trailing four quarters, the company's earnings outpaced the Zacks Consensus Estimate once and missed thrice. Schwab's efforts to grow through acquisitions are expected to further strengthen its position as a leading brokerage player and will be accretive to earnings. The planned acquisition of TD Ameritrade will create a behemoth in the online brokerage industry. Though offering commission-free trading is expected to lead to higher client assets and brokerage accounts for Schwab, this is expected to hamper revenue growth to an extent. Also, near-zero interest rates amid the Fed's accommodative monetary policy stance will hurt margins and revenues. Rising expenses are expected to hurt profits.

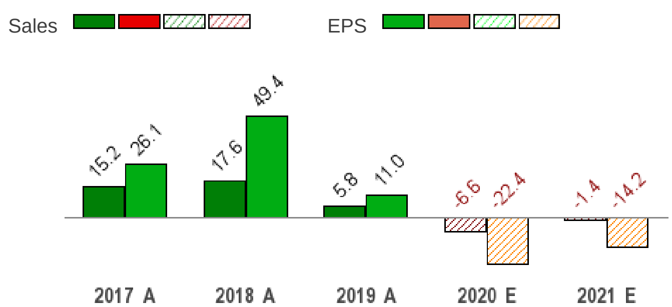
Price, Consensus & Surprise

Source: Zacks Investment Research

Data Overview

52-Week High-Low	**$51.65 - $28.00**
20-Day Average Volume (Shares)	**8,077,555**
Market Cap	**$44.3 B**
Year-To-Date Price Change	**-27.8%**
Beta	**1.17**
Dividend / Dividend Yield	**$0.72 / 2.1%**
Industry	**Financial - Investment Bank**
Zacks Industry Rank	**Top 21% (53 out of 250)**
Last EPS Surprise	**-1.8%**
Last Sales Surprise	**-1.8%**
EPS F1 Estimate 4-Week Change	**-0.9%**
Expected Report Date	**10/20/2020**
Earnings ESP	**-8.2%**
P/E TTM	**13.7**
P/E F1	**16.3**
PEG F1	**2.1**
P/S TTM	**4.3**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,409 E	2,436 E	2,472 E	2,474 E	9,871 E
2020	2,617 A	2,450 A	2,465 E	2,444 E	10,015 E
2019	2,723 A	2,681 A	2,711 A	2,606 A	10,721 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	$0.46 E	$0.47 E	$0.48 E	$0.47 E	$1.81 E
2020	$0.60 A	$0.54 A	$0.51 E	$0.49 E	$2.11 E
2019	$0.69 A	$0.66 A	$0.74 A	$0.63 A	$2.72 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 09/24/2020. The reports text is as of 09/25/2020.

Overview

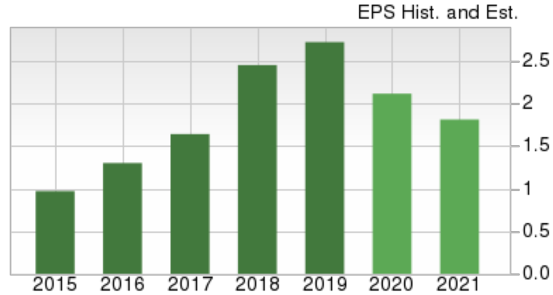
Headquartered in San Francisco, CA, The Charles Schwab Corporation is a savings and loan holding company, providing wealth management, securities brokerage, banking, asset management, custody and financial advisory services.

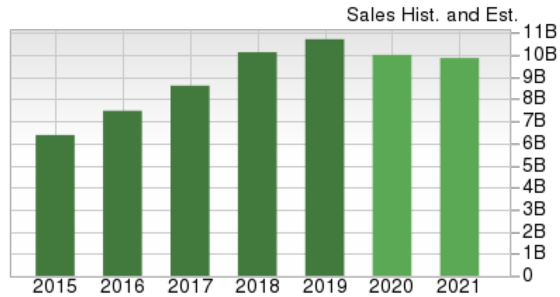
The company's main subsidiaries include Charles Schwab & Co. (securities broker-dealer), Charles Schwab Investment Management (an investment advisor for Schwab's proprietary mutual funds and Schwab's exchange-traded funds) and Charles Schwab Bank (a federal savings bank).

Schwab provides financial services to individuals and institutions through two reportable segments – Investor Services and Advisor Services.

- The ***Investor Services*** segment (constituting 71.1% of total net revenues in 2019) includes Schwab's retail brokerage and banking operations as well as retirement plan and corporate brokerage services. Through this segment, the company offers research, analytic tools, online portfolio planning tools, performance reports, market analysis and educational material to its clients.

- The ***Advisor Services*** segment (28.9%) offers custodial, trading and support services to independent investment advisors. It also provides retirement business services to independent retirement plan advisors and record-keepers.





In May 2020, Schwab acquired certain of assets of USAA's Investment Management Company, including brokerage and managed portfolio accounts. In June, it acquired Motif's technology and intellectual property assets, while in July it acquired Naples, FL-based Wasmer, Schroeder & Company.

As of Jun 30, 2020, the company had 14.1 million active brokerage accounts, 1.5 million banking accounts and 1.7 million corporate retirement plan participants.

Source: Zacks Investment Research

Reasons To Buy:

Schwab's inorganic growth efforts and initiatives to augment trading revenues will continue boosting profitability. Further, its enhanced capital deployment plan reflects a strong balance sheet.

- Schwab remains focused on enhancing trading revenues, which was under pressure since the last few years. The company has been taking several initiatives including lowering its basic online equity and ETF trade commissions to zero and reducing fees for the Schwab market cap-weighted index mutual funds. It launched Schwab Stock Slices effective Jun 2. Through this, investors will be able to own shares of any company in the S&P 500 Index starting at $5 each, even though their shares cost more. These efforts are aimed at building client base and will likely lead to improvement in trading income, going forward.

- Schwab continues to benefit from aggressive efforts to increase client base in advisory solutions. The advice solution revenues saw a four-year (2016-2019) CAGR of 9.4%, with the momentum continuing in the first half of 2020. Despite the company lowering fees on certain advice solution products, revenues from the same increased as average client asset balances improved. Further, driven by the company's efforts, total client assets have witnessed a CAGR of 13.3% over the last four years (ended 2019). The uptrend for client assets continued in the first half of 2020. Buyout of USAA's Investment Management Company and the planned acquisition of TD Ameritrade will help further diversify revenues and be accretive to earnings. Moreover, the acquisition of Motif's technology and intellectual property, along with Wasmer, Schroeder & Company, LLC are expected to further strengthen Schwab's position in the brokerage industry.

- Schwab remains focused on maintaining a low-cost capital structure, which has been able to support its capital deployments. As of Jun 30, 2020, the company had cash and cash equivalents of $335.7 billion, and total debt worth $85.3 billion. Also, its total debt to total capital of 21.7% during the second quarter has been improving over the last several quarters. In January 2020, the company announced a 6% increase in quarterly dividend, following a hike in 2019 and twice in 2018. Further, it has a share repurchase program in place. At the second-quarter 2020-end, $1.8-billion shares were remaining under the buyback authorization.

- Schwab's trailing 12-month return on equity (ROE) reflects its superiority in terms of utilizing shareholders' fund. The company's ROE of 15.86% compares favorably with the industry's 12.32%.

Reasons To Sell:

- Given the near-zero interest rates, Schwab's net interest margin (NIM) is expected to remain under pressure in the quarters ahead. In fact, significant improvement in margins is not expected in the near term, owing to the Federal Reserve's accommodative policy stance. Hence, a decline in margins will likely hurt the top line to some extent.

- Continuously mounting operating expenses are expected to hurt the company's bottom line to an extent. Expenses witnessed a CAGR of 9.4% over the last four years (2016-2019) mainly due to rise in compensation and benefit costs. The uptrend continued in the first six months of 2020 as well. Moreover, costs related to compensation and regulatory spending as well as ongoing investments to drive operating efficiency are expected to keep expenses high in the upcoming quarters.

> Near-zero interest rates are expected to hamper Schwab's net interest margin growth in the near term. Additionally, continuously mounting expenses will likely hurt the bottom line to an extent.

- We remain apprehensive about Schwab's significant dependence on fee-based revenue streams (asset management and administration fees constituted more than 30% of net revenues in the first half of 2020) and lower degree of capital intensity than peers. Though the company is undertaking measures that have resulted in higher trading revenues, these will not be sufficient for boosting overall revenues, as trading revenues constitute only a small portion (7.5%) of net revenues.

- Schwab's shares have underperformed the industry so far this year. Also, the company's earnings estimates for 2020 have been revised nearly 1% lower over the past 30 days. Further, the stock looks overvalued when compared with the broader industry. Its current price-earnings (F1) and price-book ratios are above the respective industry averages. Therefore, given the concerns and downward estimate revisions, the stock has limited upside potential.

Last Earnings Report

Schwab Lags on Q2 Earnings as Revenues Fall, Costs Rise

Quarter Ending	06/2020
Report Date	**Jul 16, 2020**
Sales Surprise	**-1.79%**
EPS Surprise	**-1.82%**
Quarterly EPS	**0.54**
Annual EPS (TTM)	**2.51**

Charles Schwab's second-quarter 2020 adjusted earnings of 54 cents per share lagged the Zacks Consensus Estimate of 55 cents. Also, the bottom line decreased 19% from the prior-year quarter.

Results for the reported quarter excluded acquisition and integration-related costs as well as the amortization of acquired intangibles.

Results were primarily hurt by a decline in revenues and higher expenses. However, an increase in net new assets and higher new brokerage accounts — driven by solid client activity in the coronavirus outbreak-induced volatile markets — acted as tailwinds.

After considering non-recurring items, net income available to common shareholders (GAAP basis) was $621 million or 48 cents per share, down from $887 million or 66 cents per share recorded in the year-ago quarter.

Revenues Decline, Expenses Rise

Net revenues were $2.45 billion, down 8.6% year over year. The fall was due to a decline in trading revenues (down 6.8%), net interest revenues (down 13.7%) and other revenues (down 15.2%), partially offset by a 1.9% rise in asset management and administration fees. The reported figure lagged the Zacks Consensus Estimate of $2.49 billion.

Total non-interest expenses rose 8.1% year over year to $1.56 billion. All expense components, except for advertising and market development costs, increased from a year ago.

Pre-tax profit margin declined to 36.2% from 46.1% in the prior-year quarter.

At the end of the second quarter, Schwab's average interest-earning assets grew 36.6% year over year to $362.9 billion.

Annualized return on equity as of Jun 30, 2020, was 10%, down from 19% at the end of the prior-year quarter.

Other Business Developments

As of Jun 30, 2020, Schwab had total client assets of $4.1 trillion (up 11% year over year). During the reported quarter, net new assets — brought by new and existing clients — were $137.4 billion, up significantly from the year-ago quarter.

Schwab added 1.65 million new brokerage accounts in the reported quarter, reflecting a substantial jump from 386,000 accounts recorded in the year-ago period. As of Jun 30, 2020, the company had 14.1 million active brokerage accounts, 1.5 million banking accounts and 1.7 million corporate retirement plan participants.

Outlook

The 2020 outlook is based on assumptions of a 6.5% appreciation of the S&P 500 Index from the Apr 15, 2020 level, no change in short-term interest rates, long-term rates at 1.04% on an average, balance sheet growth of 30-40% and a 45% year-over-year increase in daily average trades.

Revenues are expected to decline 7-4%.

Excluding acquisition and integration-related charges, adjusted expenses are expected to increase 3.5-4.5%.

Adjusted pre-tax profit margin is expected to be more than 39%.

In mid-September, Schwab announced that third-quarter 2020 total net revenues "are running slightly lower" than the previous quarter. This is because the sharp reduction in long-term rates has resulted in an acceleration of prepayment activity in the mortgage-backed securities held within the company's investment portfolio.

Recent News

Schwab August Metrics Rise - Sep 15, 2020

Schwab announced its monthly activity report for August 2020. It reported record total client assets of $4.49 trillion, up 5% from July 2020 and 21% from August 2019.

Client assets receiving ongoing advisory services were $2.27 trillion, up 4% from the prior month and 16% year over year. Net new assets increased 79% sequentially and 1% year over year to $20 billion.

Schwab's average interest earning assets were $384.7 billion at the end of August 2020, up 1% from July 2020 and 45% from August 2019. The company had 202,000 new brokerage accounts in the reported month. This was down 2% from the prior month but up 60% from August 2019.

Schwab's active brokerage accounts totaled 14.31 million at August-end, up 1% sequentially and 18% from the year-ago month. Further, clients' banking accounts were 1.49 million, rising 1% from July 2020 and 10% from August 2019. The number of retirement plan participants was 1.72 million, almost at par with the prior-month level as well as from the year-ago level.

Schwab's July Metrics Improve on Volatility Markets - Aug 14, 2020

Charles Schwab announced monthly activity report for July 2020. The company recorded total client assets of $4.28 trillion, up 4% from June 2020 and 14% from July 2019.

Client assets receiving ongoing advisory services were $2.17 trillion, up 4% from the prior month and 11% year over year. Notably, net new assets plunged 54% sequentially and 42% year over year to $11.2 billion. The figure included an inflow of $8.5 billion related to the acquisition of Wasmer, Schroeder & Company, LLC.

Schwab's average interest earning assets were $379.5 billion at the end of July 2020, up 1% from June 2020 and 44% from July 2019. The company had 206 million new brokerage accounts in the reported month. This was up 2% from the prior month and 60% from July 2019.

Schwab's active brokerage accounts totaled 14.22 million at July-end, up 1% sequentially and 18% from the year-ago month. Further, clients' banking accounts were 1.5 million, rising 1% from June 2020 and 9% from July 2019. The number of retirement plan participants was on par with the prior-month level but up 1% year over year to 1.7 million.

Schwab Completes Acquisition of Wasmer Schroeder – Jul 1, 2020

Schwab completed the acquisition of Naples, FL-based Wasmer, Schroeder & Company, LLC. The deal, announced this February, will likely strengthen Schwab's position in the brokerage industry. The financials of the deal have not been disclosed yet.

Wasmer Schroeder is an independent investment manager of fixed-income separately managed accounts. Its team of more than 60 employees, including roughly 30 investment professionals, has significant experience in the fixed-income markets.

The deal is expected to enhance Schwab's fixed-income capabilities and expand its approximately $90 billion in separately managed accounts. Also, the company will be able to meet increasing client demand for income in retirement.

At the time of announcement of the deal, Rick Wurster, executive vice president of Schwab Asset Management Solutions, stated, "Wasmer Schroeder's professionally managed portfolios and investment capabilities will help Schwab deliver on a wide range of fixed income investment needs and preferences, and complements the total wealth management offering we make available to our retail and RIA clients."

Schwab Closes Deal to Acquire Certain Assets of Motif - Jun 23, 2020

Charles Schwab has acquired Motif's technology and intellectual property assets. Financial details of the deal, which was announced in May, have not been disclosed yet.

Based in Sans Francisco-CA, Motif provides thematic investment strategies and allows investors to trade intelligently weighted baskets of stocks built around themes, investing styles or multi-asset models.

Per the deal, all of Motif's technology and intellectual property including algorithms, patents and source code has been acquired by Schwab. Broker-dealer, RIA, client accounts and client assets were not part of the deal.

Moreover, Schwab has hired the majority of Motif's development and investment talent. The founder of the acquired company, Hardeep Walia, also joined Schwab.

At the time of announcing the deal, Walia had said, "For over a decade, Motif's unwavering mission has been to introduce investors to the power of thematic investing. By combining data science and automation, we have developed an innovative and personalized investing platform that appeals to both individuals and advisors."

With this acquisition, Schwab aims to bolster existing capabilities, and speed up the development of thematic and direct indexing solutions for Schwab's retail investors, as well as RIA clients.

Schwab-Ameritrade Deal Gets DOJ & Shareholder Nod - Jun 4, 2020

Charles Schwab's deal to acquire TD Ameritrade Holding for $26 billion has received consent from the U.S. Department of Justice ("DOJ"). The all-stock deal, announced in November 2019, had raised antitrust concerns as it will make Schwab one of the prominent industry players.

Nonetheless, at that time, Schwab President and CEO Walt Bettinger had downplayed the antitrust risks. He had said, “We have numerous competitors, many of which are far larger than us today and far larger than a combined organization. They’re going to continue to come right after us, as they are now in all aspects of the business.”

In other development, shareholders of both Schwab and TD Ameritrade have approved the transaction, with more than 99% of votes cast in favor of the deal.

Further, the proposal to issue new Schwab common shares to TD Ameritrade stockholders as consideration for the acquisition was overwhelmingly approved by the shareholders.

Steve Boyle, interim president and CEO, TD Ameritrade said, “We are pleased that our shareholders are supportive of this transformative opportunity to create the ultimate client experience for retail investors and independent registered investment advisors.”

Also, votes were cast in favor of “an amendment to the fifth amended and restated certification of incorporation of Schwab,” which will lead to creation of a new class of non-voting common stock that will be issued to Toronto-Dominion Bank – having nearly 43% stake in TD Ameritrade at present.

Therefore, per the Schwab charter amendment, the number of authorized shares of Schwab will increase by 300 million, and it will be authorized to issue 300 million shares of non-voting common stock, each with a par value of $0.01 per share.

By clearing these hurdles, the deal is a step closer to completion though it still requires other regulatory approvals. The deal is expected to close in the second half of 2020 and integration will likely take another 18-36 months.

Schwab Closes Deal With USAA's Investment Management Company - May 26, 2020

Schwab has closed the acquisition of the assets of USAA’s Investment Management Company, including its brokerage and managed portfolio accounts. With an aim to diversify revenues, Schwab announced the deal in July 2019.

At the time of the announcement, the all-cash deal was valued at $1.8 billion. Schwab projected the transaction to be modestly accretive to earnings on a cash basis by the first year and on a GAAP basis by the second year. Also, it expected expense synergies from a reduction in clearing fees and other operating expenses.

Notably, as announced earlier, both companies have also entered a long-term referral agreement, which makes Schwab the exclusive wealth management and brokerage provider for USAA members. This is expected to provide “incremental organic growth opportunity for Schwab.”

Walt Bettinger, president and CEO of Schwab, stated, “We are incredibly honored that USAA entrusted Schwab with the vital task of building the financial futures of its members. We understand that with this transaction comes a great responsibility to USAA members and their talented employees, and we are committed to making the integration as seamless and efficient as possible.”

The transaction will add scale to Schwab’s Investor Services segment, with the addition of more than 1 million new accounts and roughly $90 billion in client assets.

Almost 400 former employees of USAA have joined Schwab to support the new accounts and help transitioning members feel confident about their accounts moving to Schwab.

Schwab to Acquire TD Ameritrade - Nov 25, 2019

Charles Schwab has inked an all-stock deal to acquire TD Ameritrade Holding for roughly $26 billion. This will create a behemoth in online brokerage space with combined client assets worth more than $5 trillion and serving nearly 24 million brokerage accounts.

Schwab President and CEO Walt Bettinger said, “With this transaction, we will capitalize on the unique opportunity to build a firm with the soul of a challenger and the resources of a large financial services institution that will be uniquely positioned to serve the investment, trading and wealth management needs of investors across every phase of their financial journeys.”

Exchange Ratio, New Headquarter & Other Details

Under the deal terms, shareholders of TD Ameritrade will receive 1.0837 Schwab shares for each TD Ameritrade share. This represents a 17% premium over the 30-day volume weighted average price exchange ratio as of Nov 20, 2019.

The transaction, still subject to regulatory approvals and consent of shareholders of both the companies, is expected to close in the second half of 2020. The integration process will start immediately thereafter, which is likely to take around 18-36 months.

As part of this process, the combined company’s headquarter will be shifted to Westlake, TX from Schwab’s current base in San Francisco. Nearly $1.6 billion charge related to the integration is expected to be incurred over three years after closing.

The deal has been approved by the board of directors of both the companies as well as the Strategic Development Committee of TD Ameritrade’s board (formed to supervise and conduct the process and all negotiations concerning the transaction).

Following the deal closure, The Toronto-Dominion Bank, which has nearly 43% stake in TD Ameritrade at present, is likely to have an ownership position of roughly 13% in the combined company. Other TD Ameritrade stockholders and existing Schwab stockholders will hold approximately

18% and 69% stake, respectively.

Moreover, TD Bank will have two new seats on the combined company's board, while TD Ameritrade will have one. Further, TD Ameritrade has halted previously announce process of searching for new CEO and named Stephen Boyle, the company's EVP and CFO, as interim President and CEO.

Also, as two of the biggest online brokers are involved, the transaction could face tough antitrust scrutiny. Nonetheless, Bettinger downplayed the antitrust risks for the deal. In the conference call following the announcement, he said, "We have numerous competitors, many of which are far larger than us today and far larger than a combined organization. They're going to continue to come right after us, as they are now in all aspects of the business."

Accretive to Earnings, Cost Synergies

The deal is expected to result in substantial strategic benefits for the combined firm. Also, clients of both Schwab and TD Ameritrade will benefit from enhancement of "investing and trading experience."

The deal is expected to be single digit percentage accretive to operating cash earnings in the first-year post closing and 15-20% accretive in the third year. Further, it is projected to be 10-15% accretive to GAAP earnings in the third year, post completion.

Also, the deal is estimated to result in $3.5-$4.0 billion in total synergies. This will be mainly derived from expense savings and the Insured Deposit Account renegotiation transaction between Schwab and TD Bank.

On cost front, the current projection is for nearly $1.8-$2 billion run rate expense synergies, representing about 18-20% of combined company's cost base. A part of this synergy is expected to be realized from "elimination of overlapping and duplicative roles."

More synergies are likely to be generated through real estate, administrative and other savings. Nonetheless, no details related to these were provided at present.

Overall, all these are anticipated to reduce operating expenses as a percentage of client assets and help further diversify revenues. Notably, the deal is expected to increase percentage of trading related fees to total revenues to about 19% from nearly 9% for Schwab at present.

Dividend Update

On Jul 23, Schwab declared a regular quarterly dividend of 18 cents per share. The dividend was paid out on Aug 28 to shareholders on record as of Aug 7.

Valuation

Schwab's shares are down 27.7% in the year-to-date period and 15.9% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 15.7% and 21.1% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and the sector are down 4% and 16%, respectively.
The S&P 500 index is up 0.5% in the year-to-date period and 8.8% in the past year.

The stock is currently trading at 18.16X forward 12 months earnings, which compares to 11.24X for the Zacks sub-industry, 15.27X for the Zacks sector and 21.25X for the S&P 500 index.

Over the past five years, the stock has traded as high as 32.01X and as low as 11.05X, with a 5-year median of 20.21X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our $36 price target reflects 19.05X forward earnings.

The table below shows summary valuation data for SCHW

Valuation Multiples - SCHW					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	18.16	11.24	15.27	21.25
	5-Year High	32.01	15.31	16.72	23.44
	5-Year Low	11.05	6.02	11.6	15.26
	5-Year Median	20.21	11.37	14.27	17.63

P/TB TTM	Current	1.97	1.84	3.15	14.61
	5-Year High	5.45	3.35	4	16.23
	5-Year Low	1.85	1.4	2.01	7.28
	5-Year Median	3.68	2.37	3.48	10.64
P/S F12M	Current	4.47	3.32	6.44	3.94
	5-Year High	8.08	4.54	6.67	4.29
	5-Year Low	3.38	2.76	4.97	3.11
	5-Year Median	5.54	3.55	6.07	3.66

As of 09/24/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 21% (53 out of 250)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Interactive Brokers Group, Inc. **(IBKR)**	Outperform	2
Piper Sandler Companies **(PIPR)**	Outperform	1
Virtu Financial, Inc. **(VIRT)**	Outperform	2
TD Ameritrade Holding Corporation **(AMTD)**	Neutral	2
ETRADE Financial Corporation **(ETFC)**	Neutral	3
LPL Financial Holdings Inc. **(LPLA)**	Neutral	3
Raymond James Financial, Inc. **(RJF)**	Neutral	3
Tradeweb Markets Inc. **(TW)**	Neutral	3

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

Industry Comparison Industry: Financial - Investment Bank

	SCHW	X Industry	S&P 500	AMTD	ETFC	RJF
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	2	3	3
VGM Score	F	-	-	F	D	D
Market Cap	44.28 B	617.46 M	22.77 B	20.10 B	10.66 B	9.54 B
# of Analysts	7	2	14	7	2	2
Dividend Yield	2.10%	0.00%	1.72%	3.34%	1.16%	2.13%
Value Score	F	-	-	D	D	C
Cash/Price	1.44	0.82	0.07	0.99	0.52	0.93
EV/EBITDA	-1.54	2.63	12.78	0.88	4.09	2.01
PEG F1	2.07	1.00	2.82	NA	NA	NA
P/B	1.73	1.63	3.12	2.10	1.74	1.36
P/CF	9.65	8.25	12.37	7.92	9.65	8.25
P/E F1	16.28	12.54	20.56	10.31	15.38	12.72
P/S TTM	4.26	1.40	2.34	3.40	3.72	1.17
Earnings Yield	6.14%	7.86%	4.60%	9.69%	6.49%	7.86%
Debt/Equity	0.33	0.31	0.70	0.39	0.23	0.47
Cash Flow ($/share)	3.56	2.30	6.93	4.69	5.00	8.43
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	28.06%	20.42%	10.41%	30.77%	34.95%	20.42%
Projected EPS Growth (F1/F0)	-22.27%	-10.12%	-4.56%	-12.76%	-22.21%	-26.08%
Current Cash Flow Growth	9.66%	-0.49%	5.26%	17.86%	-5.88%	13.40%
Historical Cash Flow Growth (3-5 Years)	22.65%	12.22%	8.49%	21.50%	13.09%	17.54%
Current Ratio	0.30	1.21	1.35	1.11	0.30	1.03
Debt/Capital	21.67%	22.26%	42.92%	28.08%	17.15%	32.18%
Net Margin	31.48%	9.74%	10.25%	32.88%	28.69%	10.75%
Return on Equity	15.86%	12.32%	14.59%	22.51%	14.59%	13.04%
Sales/Assets	0.03	0.19	0.50	0.12	0.04	0.19
Projected Sales Growth (F1/F0)	-6.59%	0.00%	-1.44%	-4.11%	-5.68%	1.18%
Momentum Score	F	-	-	B	A	B
Daily Price Change	-1.21%	0.00%	0.21%	-1.30%	0.40%	0.68%
1-Week Price Change	2.24%	0.00%	0.79%	2.20%	-0.56%	-0.87%
4-Week Price Change	-4.77%	-8.30%	-5.64%	-4.87%	-11.56%	-9.36%
12-Week Price Change	2.91%	0.00%	1.89%	3.22%	-2.17%	3.01%
52-Week Price Change	-15.97%	-9.66%	-2.71%	-17.99%	14.80%	-17.85%
20-Day Average Volume (Shares)	8,077,555	25,530	2,095,310	3,312,931	2,006,321	729,125
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.87%	0.00%	0.00%	0.36%	1.61%	0.00%
EPS F1 Estimate 12-Week Change	1.30%	18.91%	4.08%	22.25%	12.66%	18.91%
EPS Q1 Estimate Monthly Change	-1.62%	0.00%	0.00%	1.66%	1.13%	0.00%

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	F
Growth Score	F
Momentum Score	F
VGM Score	F

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

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.

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 forwardlooking 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 mediumterm 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 mostrecent 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.