

AT&T Inc. (T)

\$28.65 (As of 06/18/21)

Price Target (6-12 Months): **\$31.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 09/24/18)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: B

Momentum: D

Summary

In a radical shift to its corporate strategy, AT&T aims to spin off its media assets and merge them with the complementary assets of Discovery. The transaction will enable it to focus on core operations, reduce huge debt burden and unlock value by monetizing assets in order to augment its network infrastructure throughout the country. The company expects this holistic growth policy to add significant customer value and generate healthy ROI across the business. AT&T has also unveiled a comprehensive 5G strategy and reaffirmed its guidance for 2021. However, the company is facing a steady decline in linear TV subscribers, legacy services and wireline division. As it tries to woo customers with discounts and freebies, margins tend to fall. Spectrum crisis in a saturated wireless market and continued cord-cutting remain major headwinds.

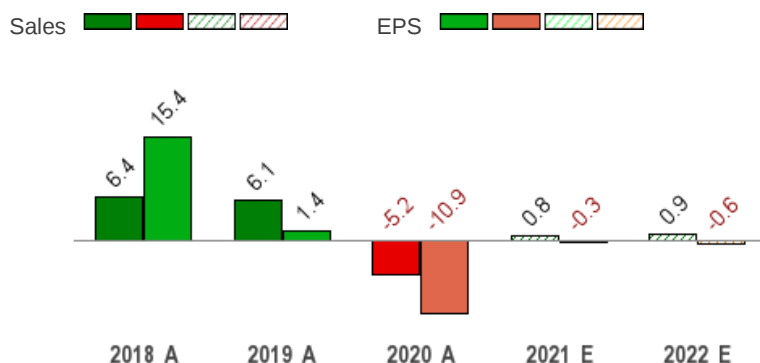
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$33.88 - \$26.35
20-Day Average Volume (Shares)	38,104,456
Market Cap	\$204.6 B
Year-To-Date Price Change	-0.4%
Beta	0.78
Dividend / Dividend Yield	\$2.08 / 7.3%
Industry	Wireless National
Zacks Industry Rank	Top 17% (43 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	11.7%
Last Sales Surprise	2.8%
EPS F1 Estimate 4-Week Change	0.2%
Expected Report Date	07/22/2021
Earnings ESP	-0.2%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	43,222 E	42,476 E	42,965 E	45,429 E	174,716 E
2021	43,939 A	42,631 E	42,675 E	44,105 E	173,162 E
2020	42,779 A	40,950 A	42,340 A	45,691 A	171,760 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.79 E	\$0.78 E	\$0.80 E	\$0.81 E	\$3.15 E
2021	\$0.86 A	\$0.78 E	\$0.78 E	\$0.76 E	\$3.17 E
2020	\$0.84 A	\$0.83 A	\$0.76 A	\$0.75 A	\$3.18 A

*Quarterly figures may not add up to annual.

P/E TTM	9.0
P/E F1	9.0
PEG F1	3.7
P/S TTM	1.2

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/18/2021. The report's text and the

analyst-provided price target are as of 06/21/2021.

Overview

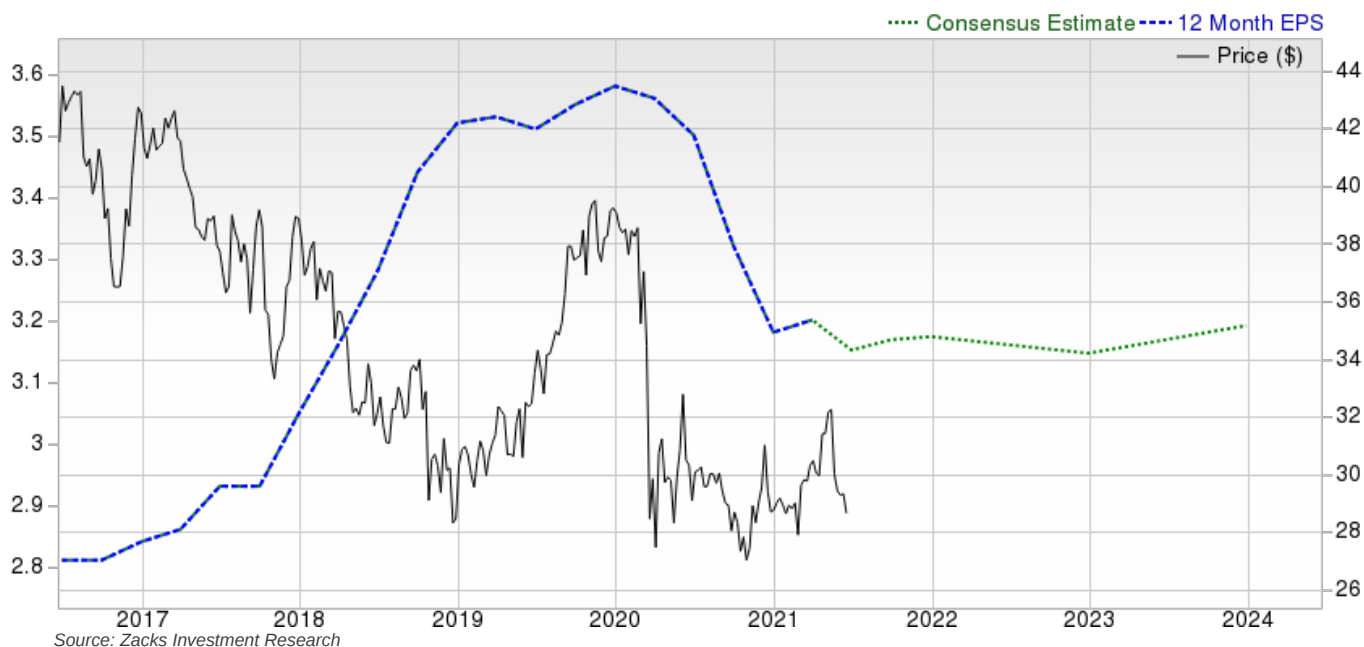
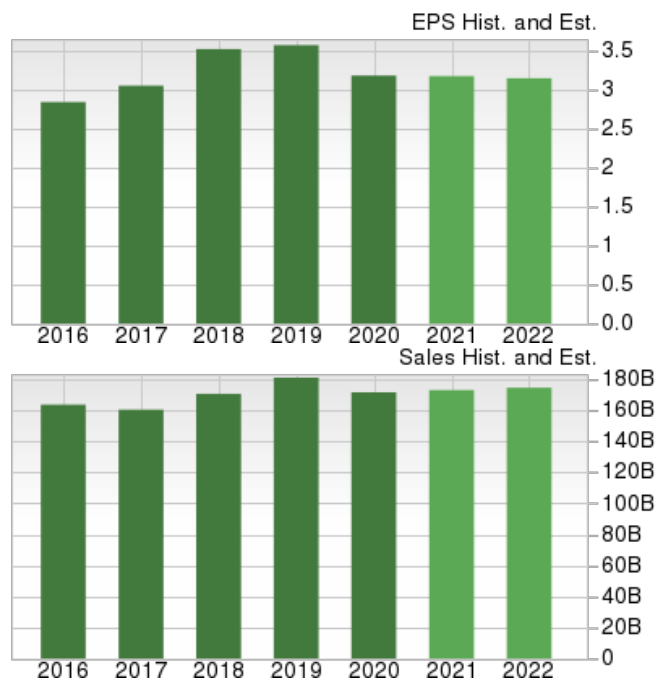
Based in Dallas, TX, AT&T Inc. is the second largest wireless service provider in North America and one of the world's leading communications service carriers. Through its subsidiaries and affiliates, the company offers a wide range of communication and business solutions that include wireless, local exchange, long-distance, data/broadband and Internet, video, managed networking, wholesale and cloud-based services.

With assets like HBO, CNN and TNT, AT&T's acquisition of Time Warner has created new kinds of online videos and opened up avenues for targeted advertisements. The company is also focusing on streaming services with AT&T TV and soon-to-be-launched HBO Max. This is likely to create other avenues to monetize content as it expands 5G coverage in over 80 U.S. cities. The new segments of the company are Communications, WarnerMedia, Latin America, and Xandr.

Communications (64.1% of total operating revenues in first-quarter 2021): Due to the proposed sale of its Video business to private equity firm TPG, AT&T has redefined this segment into Mobility, Business Wireline and Consumer Wireline (formerly Broadband) business. Mobility provides wireless service to consumer and wholesale subscribers throughout the United States and its territories. The Business Wireline provides IP-based and traditional data services to business customers, including multinational corporations and government and wholesale customers. Consumer Wireline offers broadband, including fiber optic services and voice communication services to residential customers.

WarnerMedia (19.4%): This segment represents the various business units of the erstwhile Time Warner namely, Turner, Home Box Office and Warner Bros. It also includes AT&T's Regional Sports Networks in the Turner division and Otter Media. Effective second-quarter 2020, AT&T has discontinued reporting its advertising and analytics business Xandr as a separate segment and included it within WarnerMedia. Xandr provides targeted advertising services leveraging data insights.

Latin America (3.1%): The segment comprises wireless services in Mexico and pay-TV entertainment services in Latin America under Vrio. AT&T also owns 41% of Sky Mexico, financial results of which are accounted for as an equity-method investment.



Reasons To Buy:

- ▲ AT&T expects to continue investing in key areas and adjust its business according to the evolving market scenario to fuel long-term growth, while maintaining a healthy dividend payment and actively pruning debt. Despite the coronavirus-induced adversities, AT&T experienced a net increase in total wireless subscribers of 3.6 million in first-quarter 2021 to reach a tally of 186.1 million subscribers in service. The company witnessed solid subscriber momentum with more than 823,000 net additions in phones, wearable and non-tablet computing devices, including 595,000 postpaid phone additions as work-from-home trend increased. Postpaid churn was 0.93% compared with 1.08% in the year-ago quarter with significant improvement in phone churn. With a customer-centric business model, AT&T is witnessing healthy momentum in its postpaid wireless business with a lower churn rate and increased adoption of higher-tier unlimited plans. The company has affirmed its earlier guidance for 2021.
- ▲ AT&T is poised to benefit from the impending 5G boom. As the first carrier in the industry, the company has unveiled its 5G policy framework that will hinge on three pillars — mobile 5G, fixed wireless and edge computing. In order to have a seamless transition among Wi-Fi, Long-Term Evolution (LTE) and 5G services, AT&T intends to deploy a standards-based nationwide mobile 5G network. Its 5G service entails utilization of millimeter wave spectrum for deployment in dense pockets while in suburban and rural areas, it intends to deploy 5G on mid- and low-band spectrum holdings. It believes that as the 5G ecosystem evolves, customers can experience significant enhancements in coverage, speeds and devices. An integrated fiber expansion strategy is expected to improve the broadband connectivity for both enterprise and consumer markets, while steady 5G deployments are likely to boost end-user experience. AT&T plans to deploy 5G+ service in stadiums, arenas and practice facilities across the country by the end of 2021, along with various company-owned retail stores, to revolutionize the shopping experience. In addition, the company aims to launch 5G+ in seven airports while offering secure 5G facilities to the FirstNet network. In order to expand coverage and improve connectivity, AT&T acquired 80MHz of mid-band spectrum in the C-Band auction during the quarter for a total consideration of \$27.4 billion. These airwaves offer significant bandwidth with better propagation characteristics for optimum coverage in both rural and urban areas. AT&T remains focused on business transformation efforts to augment operational efficiency and facilitate optimum utilization of resources to enhance value. The company expects this holistic growth policy to add significant customer value and generate healthy ROI across the business.
- ▲ AT&T anticipates gaining a competitive edge over rivals through edge computing services that allow businesses to route application-specific traffic, where they need it and where it's most effective — whether that's in the cloud, the network or on their premises. Through its Multi-access Edge Compute (MEC) solution, the company offers the flexibility to better manage the data traffic. The MEC leverages indigenous software-defined network to enable low-latency, high-bandwidth applications for faster access to data processing. AT&T expects edge computing solutions to be widely available in autonomous vehicles, drones, robotic production lines and autonomous forklifts in the near future. Utilizing machine learning techniques and more connected devices, this could transform the way data-intensive images are transferred across the industry on real time basis.
- ▲ In a radical shift to its corporate strategy, AT&T has inked a definitive agreement with Discovery, Inc. to spin off its media assets and merge them with the complementary assets of the latter to form a standalone global entertainment company amid continuous cord-cutting in U.S. households. Post completion of the deal, AT&T will receive \$43 billion in a combination of cash and debt securities and will own 71% of the new entity, while Discovery will own the remainder. The transaction is expected to enable the carrier trim its huge debt burden and focus on core businesses. Incidentally, AT&T has been divesting its non-core assets to increase its liquidity and shed excess baggage to be nimbler. The company inked an agreement in first-quarter 2021 with private equity firm TPG to divest its U.S. video business. AT&T is likely to receive \$7.6 billion from this transaction, while retaining stake within the newly formed DIRECTV. The cash resources are likely to be utilized to augment its network infrastructure throughout the country. A paradigm shift to the core telecom operations might also have been triggered by the inherent growth prospects of the sector triggered by the multi-billion infrastructure investment plan by President Biden. The \$2 trillion investment plan over an eight-year period includes a \$100 billion provision to significantly expand broadband access to Americans, as the administration aims to fortify its technological prowess to thwart the dominance of countries like China. Moreover, a focused entertainment company from by the merger of WarnerMedia and Discovery assets is likely to be better placed to capitalize on the booming direct-to-consumer streaming services market and unlock value from media assets. AT&T remains focused on business transformation efforts to augment operational efficiency and facilitate optimum utilization of resources to enhance value. The company expects this holistic growth policy to add significant customer value and generate healthy ROI across the business.

AT&T's wireless growth opportunities remain impressive with the widespread launch of mobile 5G services in several cities. Efforts to divest non-core operations are likely to make the company nimbler and reduce debt.

Reasons To Sell:

- ▼ In a saturated wireless market, spectrum crunch has become a major issue in the U.S. telecom industry. Most of the carriers are finding it increasingly difficult to manage mobile data traffic, which is growing by leaps and bounds. The situation has become even more acute with the growing popularity of iPhone and Android smartphones as well as rising online mobile video streaming, cloud computing and video conferencing services. The company's wireline division is struggling with persistent losses in access lines as a result of competitive pressure from voice-over-Internet protocol (VoIP) service providers and aggressive triple-play (voice, data, video) offerings by the cable companies. These are weighing on its revenues and margins.
- ▼ AT&T is facing a steady decline in linear TV subscribers and legacy services. High-Speed Internet revenues are also contracting due to legacy Digital Subscriber Line (DSL) decline, simplified pricing and bundle discount. Moreover, TV content-cost pressure, high programming costs and new video platform expenses are fast eroding margins. AT&T continued to make significant investments for HBO Max in the form of new content production, foregone licensing revenues and platform costs, leading to soft margins. Continued cord-cutting remains a perennial challenge as consumers increasingly cancel pay TV packages for cheaper streaming options from Netflix, Amazon, Hulu and other services. As AT&T tries to woo customers with healthy discounts, freebies and cash credits, margin pressures tend to escalate. This is likely to affect its growth potential to some extent.
- ▼ As of Mar 31, 2021, AT&T had \$11,342 million of cash and cash equivalents with long-term debt of \$160,694 million compared with respective tallies of \$9,740 million and \$153,775 million by the end of fourth-quarter 2020. This shows that while the cash position has improved, the debt burden has increased sequentially. The company currently has a debt-to-capital ratio of 0.47 compared with 0.51 of the sub-industry. Although the times interest earned has improved sequentially, it has decreased over the past few quarters to 1.1 at present relative to 2.1 for the sub-industry. AT&T decided to cancel its stock buyback program due to the severity of the coronavirus outbreak. The evolving nature of the contagious disease and its grave impact on the economy forced the company to reconsider the buyback plan, as it is yet to fathom the impact on its business with lack of visibility. It has a dividend payout rate of 65%. The rate has increased over the past few quarters, indicating that the company is sharing more of its earnings with stockholders. It remains to be seen how AT&T aims to reduce the huge debt burden in the coming days and whether it faces any liquidity crisis due to disruptions caused by COVID-19 pandemic.

AT&T continues to struggle in a competitive and saturated U.S. wireless industry, while margin pressures due to promotional offers and discounts are headwinds amid the coronavirus-induced turmoil.

Last Earnings Report

AT&T Q1 Earnings Beat on Wireless Strength, HBO Max Traction

AT&T reported strong first-quarter 2021 results with solid subscriber growth backed by a resilient business model and robust cash flow position driven by a diligent execution of operational plans. Riding on a healthy traction from HBO Max and fiber broadband businesses, both adjusted earnings and revenues beat the Zacks Consensus Estimate. The company expects to continue investing in key areas of 5G, fiber and HBO Max and adjust its business according to the evolving market scenario to fuel long-term growth, while maintaining a healthy dividend payment and actively pruning debt.

Quarter Ending

03/2021

Report Date	Apr 22, 2021
Sales Surprise	2.75%
EPS Surprise	11.69%
Quarterly EPS	0.86
Annual EPS (TTM)	3.20

Net Income

On a GAAP basis, AT&T reported net income of \$7,500 million or \$1.04 per share compared with \$4,578 million or 63 cents per share in the year-ago quarter. The significant year-over-year improvement was primarily attributable to higher revenues and actuarial gain on pension benefit plan assets.

Excluding non-recurring items, adjusted earnings were 86 cents per share compared with 84 cents in the year-earlier quarter. Adjusted earnings for the first quarter beat the Zacks Consensus Estimate by 9 cents.

Quarter Details

Quarterly GAAP operating revenues increased 2.7% year over year to \$43,939 million, largely due to higher equipment sales within the Mobility business and growth in advertising and subscription-based revenues within WarnerMedia. The top-line growth was partially offset by lower revenues from Business Wireline services and adverse currency translation effects within the Latin America segment. In addition, first-quarter revenues were impacted by the divestures of wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands in fourth-quarter 2020. The top line, however, beat the consensus mark of \$42,728 million.

Adjusted operating income for the quarter was \$7,814 million compared with \$9,188 million in the prior-year quarter owing to top-line contraction. This resulted in respective adjusted operating income margins of 17.1% and 19.6%. Adjusted EBITDA declined to \$12,889 million from \$14,365 million.

AT&T experienced a net increase in total wireless subscribers of 3.6 million to reach 186.1 million in service. The company witnessed solid subscriber momentum with more than 823,000 net additions in phones, wearable and non-tablet computing devices, including 595,000 postpaid phone additions as work-from-home trend continued to gain in popularity. Postpaid churn was 0.93% compared with 1.08% in the year-ago quarter with significant improvement in phone churn. Postpaid phone-only average revenue per user (ARPU) decreased 2.8% year over year to \$54.10 on lower international roaming revenues and promotional discounts.

Segmental Performance

Communications: Due to the proposed sale of its Video business to private equity firm TPG, AT&T has redefined this segment into Mobility, Business Wireline and Consumer Wireline (formerly Broadband) business. Total segment operating revenues were up 5.2% to \$28,178 million as decline in Business Wireline was offset by a healthy gain in the Mobility business. Service revenues from the Mobility unit were steady at \$14,048 million as subscriber gains offset decline in international roaming revenues, while equipment revenues improved 45.2% year over year to \$4,986 million driven by higher mix of high-priced smartphone sales and other postpaid devices. Revenues from Consumer Wireline business were down 0.4% to \$3,098 million due to decline in legacy services. Revenues from Business Wireline were down 3.5% to \$6,046 million driven by decline in legacy products as customers shifted to more advanced IP-based offerings.

Segment operating income was \$7,365 million compared with \$7,401 million in the year-ago quarter for respective operating margin of 26.1% and 27.6%. Adjusted EBITDA was \$11,419 million compared with \$11,444 million in the year-ago quarter.

WarnerMedia: Total segment revenues were \$8,526 million, up 9.8% year over year with higher subscription, content and advertising revenues signifying partial recovery from the coronavirus-induced adversities exhibited in the prior-year quarter. Subscription revenues improved 12.6% to \$3,830 million due to higher domestic HBO Max and HBO subscribers (up 11 million year over year). Advertising revenues were up 18.5% to \$1,750 million due to resumption of live sporting events like the NCAA Division I Men's Basketball Championship Tournament. Content revenues increased 3.5% to \$3,420 million owing to contribution from theatrical product sales. Operating income was down 2% to \$1,960 million, primarily due to higher investments, programming costs and expenses in HBO Max, for corresponding margin of 23%. Segment EBITDA was \$2,123 million compared with \$2,160 million in the prior-year quarter for respective margins of 24.9% and 27.8%.

Latin America: Total operating revenues were \$1,374 million, down 13.6% year over year, due to adverse foreign currency translation and challenging macroeconomic conditions arising from the coronavirus-induced turmoil. EBITDA remained flat at \$93 million for respective margins of 6.8% and 5.8%.

Notable Quarter Developments

In order to expand coverage and improve connectivity, AT&T acquired 80MHz of mid-band spectrum in the C-Band auction during the quarter for a total consideration of \$27.4 billion. These airwaves offer significant bandwidth with better propagation characteristics for optimum coverage in both rural and urban areas.

The company inked an agreement with private equity firm TPG to divest its U.S. video business to reduce its debt burden. AT&T is likely to receive \$7.6 billion from the transaction, while retaining stake within the newly formed DIRECTV.

Cash Flow & Liquidity

AT&T generated \$9,927 million of cash from operations for the first three months of 2021 compared with \$8,866 million in the prior-year period. Free cash flow at quarter end was \$5,894 million compared with \$3,900 million in the year-ago period. As of Mar 31, 2021, AT&T had \$11,342 million of cash and cash equivalents with long-term debt of \$160,694 million. Net debt to adjusted EBITDA was about 3.1x.

Moving Forward

For full year 2021, management reiterated its earlier guidance and continues to expect free cash flow in the vicinity of \$26 billion with a dividend payout in the high 50% bracket. Adjusted earnings are likely to remain stable compared with that of 2020 on revenue growth of around 1%. AT&T is evolving its distribution channels for changing customer demands and emphasizing on self-installation and software-based platforms to redefine its business plans for the virus outbreak. While optimizing operations, it is aiming to increase efficiencies to lower costs while focusing on 5G and fiber-based connectivity along with expanded reach of software-based entertainment platforms. At the same time, the company aims to reduce its debt burden by monetizing non-core assets.

Recent News

On Jun 4, 2021, AT&T announced that it has joined forces with Cisco Systems, Inc. to better adapt to the evolving communication requirements of the hybrid workforce and embrace the 'new normal'. Per the deal, Cisco's Webex Calling will be made available to AT&T's enterprise clients. Webex Calling is an integrated phone service in the cloud that enables users to make or receive calls anywhere on any device. This subscription-based service offers centralized administration and security features for a complete enterprise-grade cloud calling and team collaboration solution. This, in turn, is likely to enable the hybrid workforce that largely intend to continue working from remote locations in post COVID-19 era an effective communication tool.

On May 25, 2021, the top management of AT&T debriefed investors about the underlying growth opportunities and the subsequent core business focus post its game-changing deal with Discovery, Inc. John Stankey, the chief executive officer of the company, also shed some light on its continued business transformation initiatives to create long-term value for shareholders.

On May 17, 2021, AT&T announced that it has inked a definitive agreement with Discovery, Inc. to spin off its media assets and merge them with the complementary assets of the latter to form a standalone global entertainment company amid continuous cord-cutting in U.S. households. The transaction will be structured as Reverse Morris Trust that refers to a merger with another company in a tax-free transfer. AT&T will receive \$43 billion in a combination of cash and debt securities and will own 71% of the new entity, while Discovery will own the remainder. The transaction is likely to be completed by mid-2022, subject to mandatory closing conditions and regulatory approvals. The new entity is expected to generate \$52 billion in revenues in 2023 adjusted EBITDA of approximately \$14 billion, and an industry leading free cash flow conversion rate of approximately 60%.

Valuation

AT&T's shares are up 0.9% in the past six months but down 4.9% in the trailing 12-month period. Stocks in the Zacks sub-industry are up 1.2% over the past six months, while stocks in the Zacks Computer and Technology sector are up 14.9% in the same period. Over the past year, the Zacks sub-industry is up 11%, while the sector is up 44.9%.

The S&P 500 Index is up 13.4% in the past six months and 35.7% in the past year.

The stock is currently trading at 5.58X trailing 12-month EV/EBITDA, which compares to 7.31X for the Zacks sub-industry, 16.42X for the Zacks sector and 17.1X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 11.82X and as low as 4.5X, with a 5-year median of 6.11X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$31 price target reflects 3.42X forward 12-month earnings.

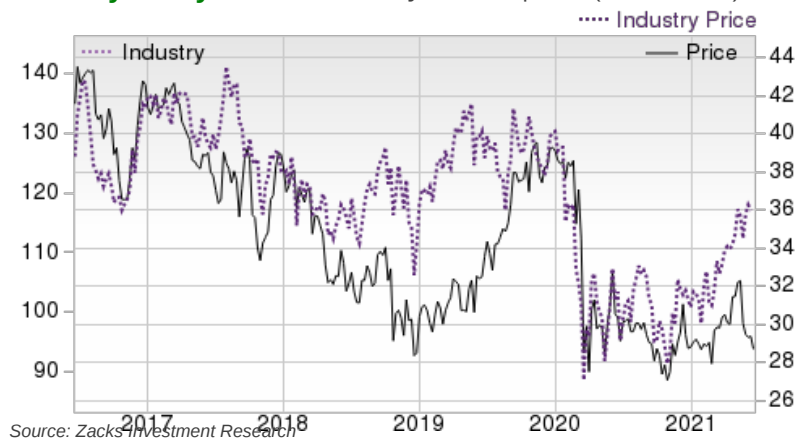
The table below shows summary valuation data for T

Valuation Multiples - T					
		Stock	Sub-Industry	Sector	S&P 500
EV/EBITDA TTM	Current	5.58	7.31	16.42	17.1
	5-Year High	11.82	12.03	17.18	17.74
	5-Year Low	4.5	5.44	9.07	9.63
	5-Year Median	6.11	6.69	12.48	13.47
P/E F12M	Current	9.07	13.08	27.37	21.36
	5-Year High	15.11	15.12	28.35	23.83
	5-Year Low	7.32	10.07	16.99	15.31
	5-Year Median	9.66	12.19	20.24	18.05
P/S F12M	Current	1.18	1.71	4.88	4.63
	5-Year High	1.61	1.77	4.88	4.74
	5-Year Low	0.91	1.28	2.81	3.21
	5-Year Median	1.33	1.56	3.53	3.72

As of 06/18/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Top 17% (43 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Altice USA, Inc. (ATUS)	Outperform	2
Cogent Communications Holdings, Inc. (CCOI)	Outperform	2
United States Cellular Corporation (USM)	Outperform	2
ATN International, Inc. (ATNI)	Neutral	2
Cincinnati Bell Inc (CBB)	Neutral	3
Liberty Latin America Ltd. (LILA)	Neutral	3
TMobile US, Inc. (TMUS)	Neutral	3
Verizon Communications Inc. (VZ)	Neutral	3

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

Industry Comparison Industry: Wireless National				Industry Peers		
	T	X Industry	S&P 500	TMUS	USM	VZ
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	3
VGM Score	B	-	-	C	A	B
Market Cap	204.56 B	941.85 M	29.25 B	180.42 B	3.14 B	231.10 B
# of Analysts	18	6	12	13	3	16
Dividend Yield	7.26%	0.00%	1.38%	0.00%	0.00%	4.50%
Value Score	A	-	-	B	A	A
Cash/Price	0.06	0.06	0.06	0.04	0.15	0.04
EV/EBITDA	8.39	8.39	16.74	12.21	5.40	8.25
PEG F1	3.67	2.24	2.04	1.33	NA	3.80
P/B	1.12	1.21	3.99	2.72	0.70	3.18
P/CF	3.39	9.22	16.91	9.76	3.45	6.24
P/E F1	9.04	46.92	20.66	63.08	18.89	10.98
P/S TTM	1.18	1.78	3.31	2.34	0.77	1.78
Earnings Yield	11.06%	1.58%	4.76%	1.58%	5.28%	9.12%
Debt/Equity	0.88	0.49	0.66	1.14	0.66	2.06
Cash Flow (\$/share)	8.44	3.40	6.83	14.83	10.60	8.94
Growth Score	B	-	-	B	C	B
Historical EPS Growth (3-5 Years)	4.71%	5.92%	9.59%	30.70%	43.68%	7.12%
Projected EPS Growth (F1/F0)	-0.23%	43.80%	21.58%	-3.22%	-26.21%	3.78%
Current Cash Flow Growth	-6.06%	-2.16%	0.99%	82.55%	10.01%	1.12%
Historical Cash Flow Growth (3-5 Years)	10.05%	9.83%	7.28%	27.70%	5.95%	2.74%
Current Ratio	0.82	1.53	1.39	0.96	2.50	1.02
Debt/Capital	46.74%	39.98%	41.51%	53.18%	39.98%	67.32%
Net Margin	-1.29%	2.76%	11.95%	3.95%	5.32%	14.58%
Return on Equity	12.33%	7.19%	16.48%	7.19%	4.93%	30.10%
Sales/Assets	0.32	0.43	0.51	0.39	0.44	0.41
Projected Sales Growth (F1/F0)	0.82%	2.67%	9.41%	17.03%	2.67%	4.03%
Momentum Score	D	-	-	F	B	C
Daily Price Change	-0.31%	-1.25%	-1.31%	-1.19%	-4.90%	-1.26%
1-Week Price Change	-2.29%	-2.32%	-1.91%	-0.45%	-8.20%	-2.63%
4-Week Price Change	-4.53%	0.00%	0.25%	6.36%	-2.14%	-1.92%
12-Week Price Change	-5.48%	3.05%	4.83%	17.65%	3.37%	-4.06%
52-Week Price Change	-5.48%	35.36%	34.50%	35.36%	17.43%	-0.61%
20-Day Average Volume (Shares)	38,104,456	183,257	1,830,063	4,186,415	147,578	15,111,406
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.16%	0.00%	0.01%	-0.50%	0.00%	0.19%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS F1 Estimate 12-Week Change	0.79%	:	16.47%	3.48%	:	-18.75%	16.47%	0.40%
EPS Q1 Estimate Monthly Change	0.32%	:	0.00%	0.00%	:	-1.53%	0.00%	0.10%

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	A
Growth Score	B
Momentum Score	D
VGM Score	B

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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.