Molson Coors Beverage(TAP)

$35.60 (As of 09/10/20)

Price Target (6-12 Months): **$37.00**

Long Term: 6-12 Months | **Zacks Recommendation:** Neutral
(Since: 09/30/19)
Prior Recommendation: Underperform

Short Term: 1-3 Months | **Zacks Rank:** (1-5) 3-Hold
Zacks Style Scores: VGM:A
Value: A | Growth: B | Momentum: A

Summary

Molson Coors delivered bottom line beat for the fourth straight quarter in second-quarter 2020, despite the impacts of the coronavirus outbreak. Moreover, sales beat the Zacks Consensus Estimate, after reporting negative surprises in the past three quarters. Also, adjusted earnings improved year over year driven by favorable net pricing, cost savings, and lower MG&A expenses. In the short term, it plans to use savings from the revitalization plan to preserve its liquidity position. However, shares of Molson Coors lagged the industry year to date owing to closure of the on-premise channel across major markets, which impacted sales growth in the second quarter. Additionally, it expects uncertainty to prevail in the quarters ahead regarding the return of its business to normalcy, which should impact results in the third quarter and 2020.

Price, Consensus & Surprise

Source: Zacks Investment Research

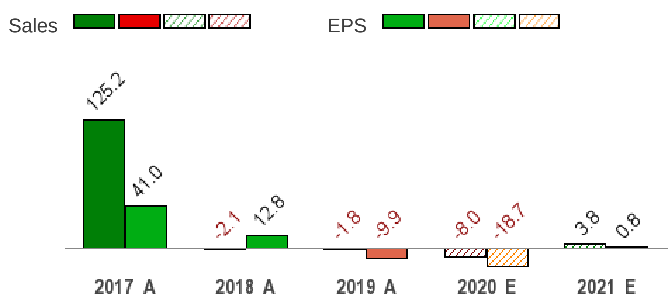
Data Overview

52-Week High-Low	$61.94 - $33.18
20-Day Average Volume (Shares)	1,471,827
Market Cap	$7.7 B
Year-To-Date Price Change	-34.0%
Beta	0.86
Dividend / Dividend Yield	$0.00 / 0.0%
Industry	Beverages - Alcohol
Zacks Industry Rank	Top 49% (124 out of 251)

Last EPS Surprise	138.5%
Last Sales Surprise	2.7%
EPS F1 Estimate 4-Week Change	0.3%
Expected Report Date	11/04/2020
Earnings ESP	-1.4%

P/E TTM	8.1
P/E F1	9.7
PEG F1	2.2
P/S TTM	0.6

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	2,205 E	2,709 E	2,692 E	2,485 E	10,101 E
2020	2,103 A	2,503 A	2,653 E	2,454 E	9,732 E
2019	2,303 A	2,948 A	2,842 A	2,486 A	10,579 A

EPS Estimates

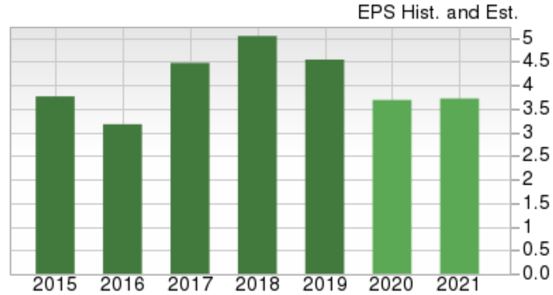
	Q1	Q2	Q3	Q4	Annual*
2021	$0.33 E	$1.17 E	$1.23 E	$0.82 E	$3.72 E
2020	$0.35 A	$1.55 A	$1.05 E	$0.69 E	$3.69 E
2019	$0.52 A	$1.52 A	$1.48 A	$1.02 A	$4.54 A

*Quarterly figures may not add up to annual.

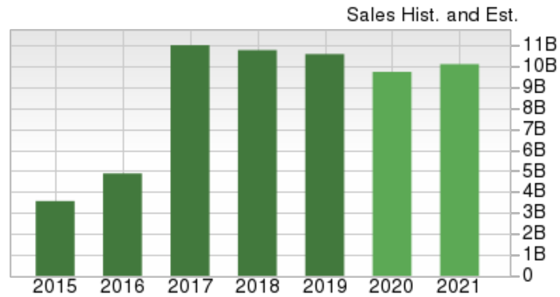
The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 09/10/2020. The reports text is as of 09/11/2020.

Overview

Molson Coors Beverage Company, previously known as Molson Coors Brewing Company, was formed by the merger of Molson Inc. and Adolph Coors Co. in February 2005. This global manufacturer and seller of beer and other beverage products has an impressive diverse portfolio of owned and partner brands.



These brands include global priority brands such as Blue Moon, Miller Lite, CoorsBanquet, Coors Light, Miller Genuine Draft and Staropramen; as well as regional champion brands like Carling, Molson Canadian. The company also boasts some other major country-specific brands, along with craft and specialty beers, namely, Creemore Springs, Henry's Hard, Cobra, Doom Bar and Leinenkugel's.



Molson Coors crafts high-quality, innovative products with an aim of delighting the world's beer drinkers, thus targeting to become the first choice for its consumers. The company's brands are designed to resonate well with consumer tastes and preferences, styles and prices. Its largest markets are the United States, Canada and Europe.

Impressively, Molson Coors remains well on track with its First Choice plan. This strategy aims at solidifying and preimmunizing portfolio, enhancing customer relations and generating significant profits from international businesses via enhanced capability, productivity and continued cost savings.

Furthermore, Molson Coors operates through MillerCoors LLC (U.S. segment), operating in the United States ("U.S."); Molson Coors Canada (Canada segment), operating in Canada; Molson Coors Europe (Europe segment), operating in Bulgaria, Croatia, Czech Republic, Hungary, Montenegro, the Republic of Ireland, Romania, Serbia, the United Kingdom and other European countries; and Molson Coors International (International segment), operating in various other countries.

Segment Performance

North America: The North America business unit includes operations in the United States, Canada and corporate center. The segment contributed nearly 89% to its net sales in first-quarter 2020.

Europe: The Europe unit operates as a stand-alone segment, including Africa and the Asia Pacific regions. The segment contributed nearly 16% to the company's net sales in first-quarter 2020.

Source: Zacks Investment Research

Reasons To Buy:

Despite the impacts of the coronavirus outbreak, Molson Coors' Q2 earnings benefited from favorable net pricing, cost savings, and lower marketing, general and administrative (MG&A) expenses.

- **Solid Q2 Earnings Performance:** Molson Coors delivered bottom line beat for the fourth straight quarter in second-quarter 2020, despite the impacts of the coronavirus outbreak on its on-premise business. Moreover, the top line beat the Zacks Consensus Estimate in the second quarter, after reporting negative surprises in the past three quarters. Also, adjusted earnings improved year over year, while sales declined. Despite the impacts of the coronavirus outbreak on top-line growth, the company's earnings benefited from favorable net pricing, cost savings, and lower marketing, general and administrative (MG&A) expenses. Underlying EBITDA rose 2.4% year over year, with a 2.2% growth in constant currency.

- **Lower Costs Aid:** Although the impacts of the pandemic were visible on top line growth, Molson Coors' diligent cost-containment efforts led to improved bottom line results in the second quarter. Notably, reported cost of goods sold (COGS) per hectoliter declined 5.4% driven by gains from unrealized mark-to-market commodity positions, cost savings and a favorable resolution of our property tax appeal for our Golden, Colorado brewery, partially offset by volume deleverage. Additionally, marketing, general & administrative (MG&A) expenses declined 31.9% on a reported basis and 30.8% on an underlying basis, in constant currency. This deleverage was aided by the company's efforts to prioritize, shift and significantly reduce marketing spend by shifting to media platforms with greater audiences in the current situation. Further, the company suspended on-premise activation spending and eliminated expenses in areas that are significantly impacted, like sports and in-market activations. Moreover, the company also adjusted timing of spend on brands and packs that witnessed constrained supplies. Collectively, these actions along with contributions from cost-savings related to the revitalization plan led to a decline in marketing spending on a year over year basis, which also aided the earnings performance.

- **Focus on Premiumization & Innovation:** Molson Coors is one of the largest brewers in the world and boasts a strong portfolio of well-established brands. The company's focus on premiumization and cost savings has been aiding its bottom line performance. In fact, it remains committed to growing its market share through innovation and premiumization. With a view to accelerate portfolio premiumization, the company has made significant additions to its above-premium brands portfolio in the past few years. Consequently, nearly 30% and 20% of the company's portfolio in Europe and Canada, respectively, is now in above-premium brands. Further, the company is now focused on increasing investments in the above-premium category in the United States. Going forward, the company is encouraged by its innovation pipeline and launch of various innovative brands across regions. Molson Coors remains on track to witness continued segment share gains in premium brands; increased volumes in above-premium brands and bring stability to its below-premium brands' volumes and market share. Additionally, the company's innovation plans are focused on introducing new flavors and variations for its customers. The company remains optimistic about the recently launched brands, including Vizzy Hard Seltzer, Blue Moon LightSky, Saint Archer Gold and Movo canned wine spritzers.

- **Revitalization Plan:** Molson Coors is on track with its revitalization plan focused on achieving sustainable top-line growth by improving efficiency and unlocking resources to reinvest in business opportunities. The company intends to invest in iconic brands and growth opportunities in the above-premium beer space; expand in adjacencies and beyond beer, without hampering the support for its existing large brands; and creating digital competencies for commercial functions, supply-chain-related system capabilities and employees. To facilitate these investments, it plans to generate savings of nearly $150 million by simplifying structure. The company made significant progress against its revitalization plan before the impact of coronavirus pandemic became widespread in North America and Europe. The company has been successful in generating the expected revitalization plan savings. In the short term, it plans to use these savings to preserve cash and liquidity position, given the uncertainty in the economy due to the coronavirus.

- **Cost Savings and Restructuring Initiatives:** Molson Coors has undertaken restructuring initiatives to reduce overhead costs and boost profitability. The initiatives included closure of underperforming breweries, improving efficiencies in finance, administration and human resources and reducing labor and general overhead costs. In addition, the company has been focusing on initiatives to improve its supply-chain network and build on efficiencies across the business to generate additional resources to invest in brand building and innovation. In 2020, the company remains committed to delivering more cost savings under its next-generation cost-saving program. It expects the current program to generate cost savings of $600 million over the three years ending 2022. These cost savings include $150 million related to the revitalization plan. Further, it expects to incur one-time costs of $120-$180 million for generating savings from the revitalization plan.

- **Financial Flexibility:** Molson Coors is committed to maintaining its balance sheet strength, by efficiently deleveraging debt levels and investing in its business using cash flows and cost savings. The company's long term debt of $8,073.7 million as of Jun 30, 2020, reflected a marginal increase of 0.5% sequentially. Its debt-to-capitalization ratio of 0.40 represents a sequential improvement from 0.42 as of Mar 31, 2020. Moreover, the company is taking proactive measures to ensure continuity of business and adequate liquidity, amid the coronavirus crisis. To preserve liquidity and cash position, it renegotiated the bank covenants to ease potential short-term liquidity constraints and suspended dividend payable for the rest of 2020. Notably, the company has amended its existing $1.5 billion revolving credit facility agreement and repaid $1 billion that was outstanding on the credit facility. As a result, it had no outstanding borrowings on its credit facility as of the end of the second quarter. Further, it had $200 million of commercial paper outstanding as of Jun 30, 2020, resulting in $1.3 billion of available capacity under the credit facility. In May 2020, it added £300 million of incremental borrowing capacity through a commercial paper facility for the U.K. business. Backed by these actions, Moody's affirmed the credit rating and retained a stable outlook for the company.

  Additionally, the company is implementing cost-cutting measures to maintain financial stability, including reducing discretionary spend and marketing investments as well as capital expenditures by $200 million.

Reasons To Sell:

Unfavorable global mix and decline in financial volume due to on-premise channels closure across major markets due to the coronavirus pandemic, hurt top line growth in second-quarter 2020.

- **Soft On-Premise Business Hurt Sales Growth:** Although Molson Coors' top line beat estimates in second-quarter 2020, it declined year over year. The year-over-year decline was mainly caused by unfavorable global mix and a decline in financial volume due to closure of on-premise channel across the major markets on impacts of the coronavirus pandemic. This was partly offset by higher net pricing in the United States and Canada. On a constant-currency basis, net sales fell 14.3%. North America net sales declined 8.3% on a reported basis and 7.9% in constant currency, driven by a decline in financial and brand volume, offset by higher net sales per hectoliter (brand volume basis). Net sales in Europe declined 44.6% on a reported basis and 42.4% in constant currency. The decline was attributed to lower volume and drop in net sales per hectoliter due to the closure of on-premise channel. While the company has been witnessing unprecedented strength of demand in the off-premise channel, this growth has not fully offset the on-premise losses. Despite all efforts, the company expects these disproportionate trends in on-premise and off-premise to continue hurting sales in the quarters ahead. Shares of Molson Coors have witnessed a decline of 33.9% year to date, wider than the industry's 19.6% fall.

- **Decline in Worldwide Volume:** Molson Coors' worldwide brand volume declined 11.6% to 21.5 million hectoliters and financial volume declined 12.5% to 22.6 million hectoliters. The declines in the worldwide brand and financial volumes were mainly attributed to the impacts of the pandemic and the related closure of on-premise outlets in both North America and Europe. Moreover, market share declined partly due to the prioritization of some key brands and packaging to meet the off-premise demand. Additionally, unfavorable shipment timing in the United States due to aluminum can supply and other packaging material constraints, and lower contract brewing volume hurt financial volume. Particularly, in Europe, volumes were impacted by adverse geographic mix mainly related to its high-margin U.K. business that has greater exposure to the on-premise channel, which remained closed until early July, while the other European markets started to re-open gradually by the end of May and early June.

- **Supply Chain Constraints:** Apart from the impacts on on-premise, Molson Coors witnessed shifts in demand to the off-premise and certain package types during the second quarter. This strained the supply chain and package availability, particularly hurting the aluminum can demand and other packaging materials. This led the company to strategically prioritize certain brands and package types to adjust to these changing consumer dynamics. Eventually, this weighed on the company's top and bottom line performance in the second quarter. Moreover, the company expects the industry-wide supply constraints for cans to remain a headwind in the third quarter.

- **Uncertain View:** While Molson Coors began witnessing positive trends in the on-premise channel in some markets in June, its U.K. business remained affected until early July. Consequently, the recovery at the company's on-premise channel has been slow, remains uncertain and has not returned to pre-pandemic levels. Additionally, the company expects uncertainty to prevail in the quarters ahead regarding the return of its business to normalcy, with growing risk of a return of shutdowns in certain markets. As a result, it continues to expect significant COVID-19 related adverse impacts on top and bottom lines for the third quarter as well as 2020 and beyond. Moreover, it predicts marketing expenses in North America to increase in the second half of 2020 to support availability of core brands, as well as continued investments for the growth of Vizzy and Blue Moon LightSky as well as the launch of Coors Seltzer in August. Consequently, marketing spend in the third and fourth quarter of 2020 is likely to increase year over year.

Last Earnings Report

Molson Coors Q2 Earnings & Sales Beat

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	2.67%
EPS Surprise	138.46%
Quarterly EPS	1.55
Annual EPS (TTM)	4.40

Molson Coors has reported second-quarter 2020 results, wherein earnings and sales beat estimates. Moreover, adjusted earnings improved year over year, while sales declined.

While the company began witnessing positive trends in the on-premise channel in some markets in June, its U.K. business remained affected until early July. Further, it expects uncertainty to prevail in the quarters ahead regarding the return of its business to normalcy. It continues to expect significant adverse impacts on top and bottom lines for the third quarter as well as 2020 and beyond.

Molson Coors' underlying adjusted earnings of $1.55 per share was up 2% year over year and beat the Zacks Consensus Estimate of 65 cents. Despite the impacts of the coronavirus outbreak on top-line growth, the company's earnings benefited from favorable net pricing, cost savings, and lower marketing, general and administrative (MG&A) expenses.

Underlying EBITDA rose 2.4% to $692.3 million year over year. Further, underlying EBITDA improved 2.2% year over year in constant currency.

Net sales declined 15.1% to $2,503.4 million but surpassed the Zacks Consensus Estimate of $2,438 million. The year-over-year decline was mainly caused by unfavorable global mix and a decline in financial volume due to closure of on-premise channel across the major markets on impacts of the coronavirus pandemic. This was partly offset by higher net pricing in the United States and Canada. On a constant-currency basis, net sales fell 14.3%. Notably, net sales per hectoliter inched up 0.3% on a brand volume basis.

However, Molson Coors' worldwide brand volume declined 11.6% to 21.5 million hectoliters and financial volume declined 12.5% to 22.6 million hectoliters. The declines in the worldwide brand and financial volumes were mainly attributed to the impacts of the pandemic and the related closure of on-premise outlets. Moreover, market share declined partly due to the prioritization of some key brands and packaging to meet the off-premise demand. Additionally, unfavorable shipment timing in the United States due to aluminum can supply and other packaging material constraints, and lower contract brewing volume hurt financial volume.

Segmental Details

The company operates through the following geographical segments.

North America: Molson Coors' North America net sales declined 8.3% to $2,002.2 million on a reported basis and 7.9% in constant currency, driven by a decline in financial and brand volume, offset by higher net sales per hectoliter (brand volume basis). North America brand volume declined 7.8%, while financial volume fell 8.3%. Financial volume decline was attributed to lower brand volume, a decline in contract brewing and unfavorable shipment timing in the United States due to aluminum can supply and other packaging material constraints.

The segment's brand volume was hurt by the closure of on-premise outlets and market share declines. In the United States, brand volumes fell 5.2%, while domestic shipment was down 6.5%. In Canada and Latin America, brand volume declined 9.8% and 48.1%, respectively, in the quarter.

Meanwhile, net sales per hectoliter rose 0.9% on favorable geographic and package mix as well as higher net pricing in the United States and Canada, offset by negative brand and channel mix due to the shift of volume from on-premise to off-premise. Underlying EBITDA increased 13.8% on a reported and constant-currency basis to $651.8 million.

Europe: The segment's net sales on a reported basis declined 44.6% to $307.1 million and 42.4% in constant currency. The net sales decline was attributed to lower volume and drop in net sales per hectoliter due to the closure of on-premise channel. Net sales per hectoliter (brand volume basis) for the segment were down 12.7%, resulting from an unfavorable channel and geographic mix as well as unfavorable net pricing.

The adverse mix mainly related to its high-margin U.K. business that has greater exposure to the on-premise channel, which remained closed until early July, while the other European markets started to re-open gradually by the end of May and early June. The segment's financial volume fell 24.8% and brand volumes were down 21.4%. The segment reported underlying EBITDA of $31 million, reflecting a decline of 67.3% on a reported basis and 66.9% in constant currency.

Other Financial Updates

Molson Coors ended the second quarter with cash and cash equivalents of $780.8 million, and total debt of $8,686.7 million. This resulted in net debt of $7,905.9 million at the end of the quarter.

The company had cash flow from operating activities of $1,059.9 million at the end of the second quarter, with an underlying free cash flow of $796.4 million.

Recent News

Molson Coors to Expand Non-Alcohol Line With 4 New Brands – Sep 9, 2020

Molson Coors Beverage Company is on track with its strategy of growing in new spaces beyond the beer aisle, with the launch of its non-alcoholic product line this fall. The company, which was earlier called Molson Coors Brewing Company, renamed itself as Molson Coors Beverage Company in January 2020 to more precisely present its intent to expand beyond beer and into other growth adjacencies.

Its proposed line of non-alcoholic brands will mark its first step to date in its intent of expanding as a beverage company. It will also be the company's first non-alcoholic innovation in partnership with L.A. Libations, wherein it acquired a minority stake in November 2019. In partnership with L.A. Libations, the company plans to launch four innovative non-alcoholic brands from its emerging growth division on the lines of health, wellness and social responsibility.

As part of its plan, the company is scheduled to launch the first set of the new brands called HUZZAH in South California in September. HUZZAH, which will be launched in the seltzer category, will be a pumped-up, full-flavored seltzer that will also include probiotics to support a healthy gut. Additionally, it will contain 3g or less of sugar per 12oz can and 15 calories or less. These will give it an edge over other seltzer brands in the market. The company plans to launch HUZZAH on the online platform, DrinkHuzzah.com, along with select retailers in South California. The brand will be launched in three flavors — Strawberry & Hibiscus, Juicy Pear, and Raspberry & Lemon.

Following the launch in fall, the company will expand its non-alcoholic portfolio through innovative product developments. Its upcoming innovation pipeline will include MadVine — a 100% plant-based diet soda with zero calories, sugar and artificial ingredients. The MadVine line will be monk fruit- infused with recognizable ingredients like bourbon vanilla, yuzu lemon and black cherry. This will be launched in three flavors — Clean Cola, Yuzu Lemon-Up and Dr. Stepper. The next in line will be Golden Wing, which is a grain-based milk alternative. The beverage will be made with top-quality barley and no additives, stabilizers or frothing agents, containing proteins and nutrients.

The company's fourth line of non-alcoholic products is likely to be a nootropic performance beverage, which will provide enhanced focus and nutrition. It will also provide improved performance, without the troubles linked to high-caffeinated drinks for gamers and developers. This product is not yet formally announced by the company.

The above product launch indicates that Molson Coors is set out to expand beyond the traditional beer product line, be it CBD and cannabis products, non-alcohol beverages, and wines or spirits. The company's partnership with L.A. Libations highlights its venture in the non-alcoholic beverage space. Moreover, it earlier launched non-alcoholic, cannabis-infused beverages through its joint venture with the HEXO Corp., for the Canada and Colorado markets. These launches clearly demonstrate the company's focus on gaining share in the non-alcoholic beverage space.

Valuation

Molson Coors shares are down 33.9% in the year-to-date period and nearly 36.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Consumer Staples sector are down 19.6% and 6.5%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are down 25.3% and 6.1%, respectively.

The S&P 500 index is up 3.8% in the year-to-date period and 11.6% in the past year.

The stock is currently trading at 9.61X forward 12-month earnings, which compares to 25.56X for the Zacks sub-industry, 20.28X for the Zacks sector and 22.6X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.52X and as low as 8.9X, with a 5-year median of 13.99X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $37 price target reflects 9.99X forward 12-month earnings.

The table below shows summary valuation data for TAP

Valuation Multiples - TAP

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.61	25.56	20.28	22.6
	5-Year High	27.52	27.52	22.37	23.44
	5-Year Low	8.9	18.8	16.63	15.26
	5-Year Median	13.99	23.43	19.66	17.63
P/S F12M	Current	0.77	17.14	9.54	4.16
	5-Year High	5.69	20.67	11.15	4.29
	5-Year Low	0.71	13.04	8.12	3.11
	5-Year Median	1.47	17.27	9.89	3.66
EV/EBITDA TTM	Current	6.28	40.81	38.07	14.73
	5-Year High	18.68	53.27	45.11	15.6
	5-Year Low	6.07	27.03	27.25	9.51
	5-Year Median	11.3	43.28	38.46	13

As of 09/10/2020 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 49% (124 out of 251)

Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
AnheuserBusch InBev SANV **(BUD)**	Outperform	2
The Boston Beer Company, Inc. **(SAM)**	Outperform	1
BrownForman Corporation **(BF.B)**	Neutral	2
Craft Brew Alliance, Inc. **(BREW)**	Neutral	2
Carlsberg AS **(CABGY)**	Neutral	3
Heineken NV **(HEINY)**	Neutral	4
Constellation Brands Inc **(STZ)**	Neutral	3
Diageo plc **(DEO)**	Underperform	5

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

Industry Comparison Industry: Beverages - Alcohol

	TAP	X Industry	S&P 500	BUD	CABGY	HEINY
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	4
VGM Score	A	-	-	D	B	C
Market Cap	7.71 B	10.65 B	22.97 B	114.69 B	20.36 B	52.35 B
# of Analysts	6	1.5	14	2	2	2
Dividend Yield	0.00%	0.00%	1.65%	1.47%	1.48%	2.01%
Value Score	A	-	-	B	C	C
Cash/Price	0.09	0.04	0.07	0.22	0.04	0.04
EV/EBITDA	9.19	9.52	12.97	8.66	9.54	10.09
PEG F1	2.13	3.64	2.92	NA	NA	NA
P/B	0.58	2.60	3.16	1.68	2.95	2.70
P/CF	4.15	16.31	12.49	9.00	12.69	10.51
P/E F1	9.54	25.98	21.20	26.21	24.56	36.21
P/S TTM	0.63	1.83	2.39	2.40	NA	NA
Earnings Yield	10.34%	3.34%	4.55%	3.82%	4.07%	2.75%
Debt/Equity	0.61	0.44	0.70	1.55	0.45	0.77
Cash Flow ($/share)	8.59	1.53	6.93	6.32	2.17	4.32
Growth Score	B	-	-	F	B	B
Historical EPS Growth (3-5 Years)	7.18%	7.14%	10.41%	-7.49%	NA	NA
Projected EPS Growth (F1/F0)	-18.83%	0.29%	-4.75%	-46.81%	-8.20%	-48.35%
Current Cash Flow Growth	-5.29%	-2.83%	5.26%	11.61%	7.49%	2.45%
Historical Cash Flow Growth (3-5 Years)	11.28%	4.16%	8.49%	0.84%	0.41%	5.02%
Current Ratio	0.67	1.49	1.35	1.17	0.54	0.68
Debt/Capital	37.83%	30.55%	42.95%	60.81%	31.20%	43.57%
Net Margin	-1.33%	2.55%	10.25%	2.55%	NA	NA
Return on Equity	7.18%	9.29%	14.59%	9.03%	NA	NA
Sales/Assets	0.42	0.51	0.50	0.41	NA	NA
Projected Sales Growth (F1/F0)	-8.01%	0.00%	-1.42%	-15.47%	-10.58%	-11.94%
Momentum Score	A	-	-	D	B	D
Daily Price Change	-5.12%	-0.35%	-1.51%	-0.56%	-0.05%	0.30%
1-Week Price Change	1.13%	0.00%	-1.28%	-1.22%	-0.68%	-2.20%
4-Week Price Change	-5.85%	-0.52%	-2.05%	0.96%	-1.93%	-2.64%
12-Week Price Change	-8.90%	0.91%	4.48%	9.85%	2.08%	-3.63%
52-Week Price Change	-36.71%	-8.41%	-1.95%	-41.64%	-5.98%	-16.13%
20-Day Average Volume (Shares)	1,471,827	32,034	1,834,261	1,435,252	58,066	72,353
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.32%	0.16%	0.00%	0.00%	2.28%	0.00%
EPS F1 Estimate 12-Week Change	25.22%	5.78%	4.05%	26.53%	4.67%	-24.85%
EPS Q1 Estimate Monthly Change	0.48%	0.00%	0.00%	0.00%	NA	NA

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	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

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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.