

Molson Coors Beverage(TAP)

\$50.62 (As of 04/12/21)

Price Target (6-12 Months): **\$53.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 04/12/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: C

Summary

Shares of Molson Coors have lagged the industry in a year's time. The stock is further impacted by dismal top and bottom line results for fourth-quarter 2020. Decline in sales, lower financial volume, higher COGS per hectoliter and higher MG&A expenses hurt the bottom line. Net sales were mainly impacted by the COVID-induced weakness in Europe including on-premise restrictions in the U.K., which resulted in soft worldwide financial volume, as well as adverse channel mix. However, it is on track with its revitalization plan by streamlining the organization and reinvesting resources into its brands and capabilities. It is focused on building strength of its iconic core brands, growing above-premium portfolio, expanding beyond beer and investing in capabilities to drive top line growth. Moreover, it provided a decent view for 2021.

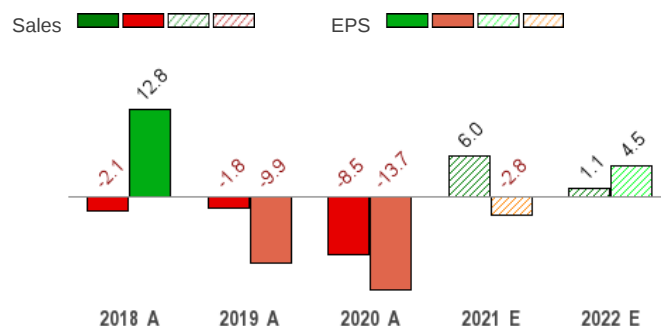
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$56.10 - \$32.11
20-Day Average Volume (Shares)	2,493,176
Market Cap	\$10.8 B
Year-To-Date Price Change	10.6%
Beta	1.11
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Beverages - Alcohol
Zacks Industry Rank	Bottom 9% (232 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-47.4%
Last Sales Surprise	-4.7%
EPS F1 Estimate 4-Week Change	-2.2%
Expected Report Date	04/29/2021
Earnings ESP	-245.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	2,231 E	2,790 E	2,782 E	2,412 E	10,380 E
2021	1,861 E	2,956 E	2,977 E	2,473 E	10,263 E
2020	2,103 A	2,503 A	2,753 A	2,294 A	9,684 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$0.32 E	\$1.32 E	\$1.52 E	\$0.68 E	\$3.98 E
2021	\$0.02 E	\$1.43 E	\$1.65 E	\$0.70 E	\$3.81 E
2020	\$0.35 A	\$1.55 A	\$1.62 A	\$0.40 A	\$3.92 A

*Quarterly figures may not add up to annual.

P/E TTM	12.8
P/E F1	13.3
PEG F1	3.0
P/S TTM	0.9

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 04/12/2021. The report's text and the analyst-provided price target are as of 04/13/2021.

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.

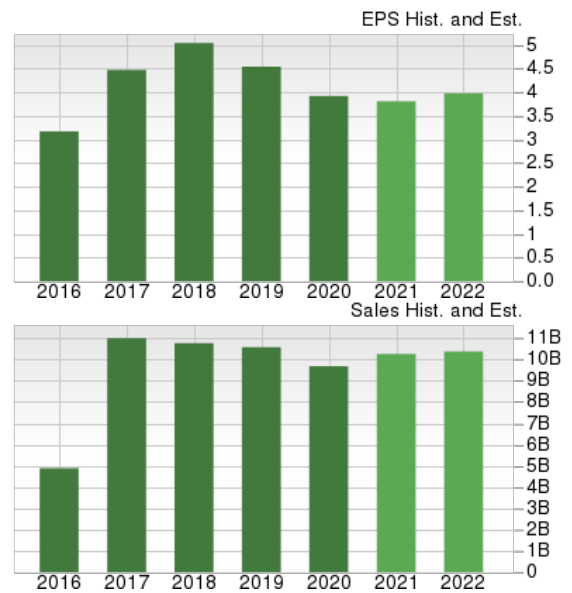
Impressively, Molson Coors remains well on track with its First Choice plan. This strategy aims at solidifying and preimmunizing portfolio, enhancing customer relations and generating significant profits from international businesses via enhanced capability, productivity and continued cost savings.

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.

The company operates in two segments:

North America: The North America business unit includes operations in the United States, Canada and corporate center. The segment contributed nearly 85% to its net sales in 2020.

Europe: The Europe unit operates as a stand-alone segment, including Africa and the Asia Pacific regions. The segment contributed nearly 15% to the company's net sales in 2020.



Reasons To Buy:

▲ **Positive U.S. Trends Aid North America Business:** Despite volume declines, sales for the Molson Coors' North America business were partly aided by improved shipment trends in the United States in the second half of 2020 and higher net pricing in North America. In the fourth quarter of 2020, shipment trends in North America improved as the company is building distributor inventory levels, despite being hurt by aluminum can supply constraints. Notably, favorable brand and package mix in the United States led to a 1.9% increase in U.S. net sales, on a brand volume basis. Moreover, favorable brand and package mix in the United States, along with higher net pricing in the United States and Canada resulted in a 3.1% increase in net sales per hectoliter, on a brand volume basis in constant-currency for the North America segment.

Molson Coors is on track with its revitalization plan focused on achieving sustainable top-line growth by streamlining the organization and reinvesting resources into its brands and capabilities.

▲ **2021 View:** Despite the current uncertainties, Molson Coors provided view for 2021. It expects net sales to grow mid-single digit at constant currency in 2021. Underlying EBITDA is likely to remain almost flat year over year at constant currency. Further, underlying depreciation and amortization are projected at nearly \$800 million, while underlying effective tax rate are likely to be in the bracket of 20%-23%.

▲ **Revitalization Plan:** Molson Coors is on track with its revitalization plan focused on achieving sustainable top-line growth by streamlining the organization and reinvesting resources into its brands and capabilities. 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 is also building on the strength of its iconic core brands. In 2020, Molson Coors expanded the production capacity of hard seltzer by about 400% and Blue Moon LightSky by nearly 400% to support continued growth. It also completed the sleek can production line, with a capacity manufacture nearly 750 million cans annually. In 2020, it also made major investments in e-commerce capabilities around the globe, including increasing staff and robust digital capabilities, to boost top line growth. Consequently, it recorded online sales growth of 230% in the United States alone in 2020.

▲ **Premiumization & Innovation:** Molson Coors is one of the largest brewers in the world and boasts a strong portfolio of well-established brands. The company remains committed to growing its market share through innovation and premiumization. With a view to accelerate portfolio premiumization, the company has been aggressively growing its above premium portfolio in the past few years. Per Nielsen, Molson Coors grew share of its above premium portfolio in 2020, despite the on-premise challenges. The above-premium products constituted the major portion of its U.S. portfolio in the fourth quarter. In 2020, Blue Moon LightSky became the top-selling new beer in the United States in the above premium beer category, per Nielsen. The company has high expectations for Blue Moon LightSky driven by increased marketing efforts put behind the brand. Further, the company regional craft portfolio in the United States grew 17% as per Nielsen in 2020, which again outpaced the overall crafts segment. Moreover, the company is optimistic about its joint venture with Yuengling to bring its iconic beers westward of the United States for the first time. After receiving positive response in Texas, the company is confident of the joint venture as it begins its Westwood expansion. Moreover, the company is on track to capture double-digit share of the U.S. seltzer market by the end of 2021, having the most complete seltzer portfolio. The company is gaining with the success of its Vizzy and Coors Seltzer. It plans to further this growth through the launch of second variety plan for Vizzy and Vizzy Lemonade, as well as expanding marketing spend for the Coors Seltzer. Also, it is poised to benefit from the launch of Topo Chico hard seltzer in the United States in the coming months. Further, the company plans to launch both Vizzy and Coors Seltzer in Canada in February and roll out its threefold brand seltzer in Europe in March.

While growing the seltzer portfolio is a key part of its "beyond beer" approach, the company is on track with expansion into various other lines. Notably, Truss — its Canadian cannabis joint venture — has become a market leader in the ready-to-drink cannabis market in Canada. It is also positioned to benefit from its planned line-up of CBD beverages in the United States through, the Truss USA. Moreover, it expects the emerging drug division to become \$1 billion business, in revenue terms, by 2023.

▲ **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 \$7,208.2 million as of Dec 31, 2020, reflected an increase of 1.1% sequentially. However, the company has been taking proactive measures to ensure continuity of business and adequate liquidity, entering 2021 with improved financial flexibility. At the end of 2020, the company had total debt of about \$8.2 billion, resulting in net debt of \$7.5 billion. Notably, the company lowered net debt by \$1.1 billion since Dec 31, 2019. Consequently, it reduced its trailing 12-month net debt to underlying EBITDA ratio to 3.5 times as of Dec 31, 2020. Moreover, management estimates achieving a net debt to underlying EBITDA ratio of nearly 3.25x by the end of 2021 and below 3.0x by the end of 2022. Additionally, consolidated net interest expenses are anticipated at nearly \$270 million, plus or minus 5%, in 2020. Driven by the strong liquidity and balance sheet, management expects that the board will be able to reinstate its dividend by the second half 2021.

Reasons To Sell:

▼ **Dismal Q4 Results, Stock Underperforms:** Shares of Molson Coors increased 8.7% in a year's time, underperforming the industry's 30.1% growth. Further, the stock witnessed a sharp decline after the company reported dismal fourth-quarter 2020 results, wherein top and bottom lines missed the Zacks Consensus Estimate and declined year over year. Earnings tumbled 60.8% year over year, while net sales fell 7.7%. Decline in sales and lower financial volume coupled with higher cost of goods sold per hectoliter as well as higher marketing, general and administrative (MG&A) expenses hurt the bottom line. Net sales were mainly impacted by the COVID-induced weakness in Europe including on-premise restrictions in the U.K., which resulted in soft worldwide financial volume. Additionally, an adverse channel mix across all regions weighed on the top line. On a constant-currency basis, net sales fell 8.3%. Moreover, underlying EBITDA plunged 33.4% year over year, with a 33.6% decline in constant currency.

Molson Coors' worldwide brand and financial volumes declined due to the impacts of the pandemic-led on-premise restrictions and North America packaging material constraints.

▼ **Higher COGS and Other Costs:** in fourth-quarter 2020, Molson Coors' underlying COGS per hectoliter rose 6.4% in constant currency on cost inflation, volume deleverage and higher transportation costs, partially offset by cost savings. On a reported basis, COGS was up 1.8%. Notably, higher can sourcing cost in North America contributed to the higher cost inflation. Moreover, the tightening of the freight market throughout 2020 led to higher transportation costs. In 2020, underlying COGS increased 2.8% driven by mix impacts from premiumization in North America, in addition to the factors affecting the fourth quarter. Moreover, underlying MG&A in the fourth quarter was up 5.8% in constant currency owing to cycling of lower incentive compensation and a non-recurring vendor benefit in 2019, along with higher marketing investment to support core brands like Coors Light and Miller Lite, and new innovations such as Vizzy, Blue Moon LightSky and Coors Seltzer. These were, however, partly negated by decline in marketing expense related to sporting events, including the impacts of the delayed start of the NHL season into 2021.

▼ **Decline in Worldwide Volume:** Molson Coors' worldwide brand volume declined 11.3% to 19.3 million hectoliters and financial volume declined 9.6% to 19.7 million hectoliters. The declines in the worldwide brand and financial volumes were mainly attributed to the impacts of the pandemic-led on-premise restrictions and North America packaging material constraints. These impacts were visible in both economy and premium segments. In North America, negative brand and channel mix in Canada due to the shift of volume from on-premise to off-premise impacted volumes. In Europe, volumes were mainly impacted by further on-premise restrictions, particularly in U.K. Further, an unfavorable channel, brand and geographic mix hurt volume in Europe. The adverse geographic mix mainly related to its high-margin U.K. business that has greater exposure to the on-premise channel, which re-opened in the third quarter but with restrictions.

▼ **Soft Europe Business:** Most of the decline in Molson Coors' top line in the fourth quarter was due to further government restrictions in the European on-premise channel due to COVID-19, particularly in the U.K. Notably, Europe accounted for 92% of the revenue decline and 56% of its EBITDA decline for the fourth quarter. Also, it contributed to 61% of the revenue decline and 83% of the EBITDA decline in 2020. Net sales on a reported basis declined 37.2% year over year and 39.4% in constant-currency in the fourth quarter. Lower volume and drop in net sales per hectoliter owing to the impacts of the pandemic hurt the top line. Net sales per hectoliter (brand volume basis) in Europe were down 8.2%, resulting from an unfavorable channel, brand and geographic mix. The adverse geographic mix is mainly related to its high-margin U.K. business that has greater exposure to the on-premise channel. The business was re-opened in the third quarter but with restrictions. The Europe segment's financial volume fell 26.4% and brand volumes were down 23.4%, hurt by nearly 40%-plunge in brand volumes due to further on-premise restrictions. The segment reported underlying EBITDA loss of \$20.8 million versus underlying EBITDA income of \$85.7 million.

▼ **Macroeconomic Headwinds:** Sluggishness in the global economy, along with macroeconomic headwinds such as a rise in fuel and energy costs, unemployment levels and high household debts may negatively affect the discretionary spending of consumers, and consequently hamper the company's growth and profitability.

Last Earnings Report

Molson Coors' Q4 Earnings Miss Estimates, Decline Y/Y

Molson Coors reported dismal fourth-quarter 2020 results, with earnings and sales lagging the Zacks Consensus Estimate and declining year over year. The company's adjusted earnings of 40 cents per share tumbled 60.8% year over year and missed the Zacks Consensus Estimate of 76 cents. Decline in sales and lower financial volume coupled with higher cost of goods sold per hectoliter as well as higher marketing, general and administrative (MG&A) expenses hurt the bottom line.

Quarter Ending	12/2020
Report Date	Feb 11, 2021
Sales Surprise	-4.74%
EPS Surprise	-47.37%
Quarterly EPS	0.40
Annual EPS (TTM)	3.92

Net sales declined 7.7% to \$2,294.3 million and lagged the Zacks Consensus Estimate of \$2,408 million. The downside was mainly caused by decline in financial volume, 26.4% drop in Europe stemming from further on-premise restrictions in the U.K. and adverse channel mix. This was partly offset by increased net pricing in North America and Europe as well as favorable brand and package mix in the United States that led to a 1.9% rise in net sales on a brand-volume basis. On a constant-currency (cc) basis, net sales fell 8.3%. Notably, net sales per hectoliter increased 3.7% on a brand-volume basis.

However, Molson Coors' worldwide brand volume declined 11.3% to 19.3 million hectoliters and financial volume declined 9.6% to 19.7 million hectoliters.

Underlying (non-GAAP) EBITDA plunged 33.4% to \$375.1 million year over year. Further, underlying EBITDA declined 33.6% year over year at cc.

Segmental Details

Molson Coors operates through the following geographical segments:

North America: Net sales in the segment dropped 0.8% to \$1,994.8 million on a reported basis and 1% at cc, thanks to decline in financial and brand volume. This was offset by higher year-over-year shipment trends in the United States. North America brand volumes declined 6.9%, while financial volume fell 3.9%. The downside was due to restrictions in on-premise outlet operations as well as packaging concerns that led to declines in economy and premium segments. In the reported quarter, shipment trends in North America improved as the company is building distributor inventory levels, despite being hurt by aluminum can supply constraints.

In the United States, brand volumes fell 6.2%, while domestic shipment was down 2.3%. In Canada and Latin America, brand volume declined 13.2% and 6.8%, respectively, in the reported quarter. Net sales per hectoliter, on a brand volume basis, rose 3.1% at cc on favorable brand and package mix in the United States as well as higher net pricing in the United States and Canada. This was offset by adverse brand and channel mix in Canada due to the shift of volume from on-premise to off-premise. Underlying EBITDA fell 17.2% on a reported basis to \$388.3 million and 17.7% at cc.

Europe: The segment's net sales on a reported basis declined 37.2% to \$303.1 million and 39.4% at cc. The downturn was due to lower volume and drop in net sales per hectoliter, thanks to the impacts of the pandemic. Net sales per hectoliter (brand volume basis) in the segment were down 8.2%, resulting from an unfavorable channel, brand and geographic mix.

The adverse geographic mix is mainly related to its high-margin U.K. business that has greater exposure to the on-premise channel. The business was re-opened in the third quarter but with restrictions. The segment's financial volume fell 26.4% and brand volumes were down 23.4%, hurt by nearly 40%-plunge in brand volumes due to further on-premise restrictions. The segment reported underlying EBITDA loss of \$20.8 million versus underlying EBITDA income of \$85.7 million.

Other Financial Updates

Molson Coors ended the fourth quarter with cash and cash equivalents of \$770.1 million. At the end of 2020, the company had total debt of about \$8.2 billion, resulting in net debt of \$7.5 billion. Notably, the company lowered net debt by \$1.1 billion since Dec 31, 2019.

It had cash flow from operating activities of \$1,695.7 million during 2020, with an underlying free cash flow of \$1,266.3 million.

Outlook

Despite the current uncertainties, management provided view for 2021. Management expects that the company's board will reinstate a dividend in the second half 2021. The company is progressing with its revitalization plan, which targets long-term revenue and underlying EBITDA expansion.

Net sales are projected to grow mid-single digit at constant currency. Underlying EBITDA is likely to remain almost flat year over year at cc. Management estimates achieving a net debt to underlying EBITDA ratio of nearly 3.25x by 2021 end and below 3.0x by 2022 end.

Further, underlying depreciation and amortization are projected at nearly \$800 million, while underlying effective tax rate are likely to be in the bracket of 20%-23%. Consolidated net interest expenses are anticipated at nearly \$270 million, plus or minus 5%.

Recent News

Molson Coors Issues Business Update, Retains 2021 View – Mar 29, 2021

Molson Coors provided an update on the impacts of system outage stemming from the cybersecurity incident that occurred on Mar 11 and 11-day long closure of the Fort Worth, TX brewery due to winter storms in February. The company stated that it is on track with the restoration process and has made significant progress toward the same. Also, all its breweries have resumed production and are ramping up to near-normal levels.

However, it continues to witness disruptions in production and operations, along with delays in shipment across the United Kingdom, Canada and the United States. Also, the pandemic-led on-trade shutdowns in the United Kingdom remain a concern. The company expects all these headwinds to affect first-quarter 2021 results. Management expects adverse impacts of the cybersecurity incident and winter storms in Texas to shift 1.8-2.0 million hectoliters of production and shipments from first-quarter 2021 to the rest of the year. Also, the company is likely to witness a similar shift in underlying EBITDA of \$120-\$140 million from the first quarter to the rest of the year. Management forecasts an additional one-time cost related to the cybersecurity issue in the first and second quarters of 2021.

However, Molson Coors remains well poised for growth on the back of the revitalization plan, core brand strength, robust growth in the above-premium portfolio, expansion of beyond beer and increased investment in omni-channel capabilities. As a result, the company retained its 2021 view, irrespective of the timing and recovery of these incidents as well as persistent uncertainty surrounding the COVID-19 situation. It still anticipates net sales to grow in mid-single digits at constant currency in 2021. Underlying EBITDA is likely to remain almost flat year over year at constant currency, with net debt-to-underlying EBITDA ratio of nearly 3.25 by the end of 2021 and below 3.0 by 2022-end. Moreover, management envisions resumption of dividend in second-half 2021.

Molson Coors Launches New Variety Pack for Vizzy – Feb 22, 2021

Molson Coors is scheduled to launch new variety pack for its Vizzy Hard Seltzer, which is the first hard seltzer with antioxidant Vitamin C. The new variety pack will include four innovative flavors – Papaya Passionfruit, Blackberry Lemon, Watermelon Strawberry and Raspberry Tangerine. The new variety pack will come in 12-oz. slim can 12-packs and will hit shelves across the United States on March 1.

Additionally, the Vizzy Hard Seltzer is also expanding into Canada, with its products likely to hit store shelves in early March.

Valuation

Molson Coors shares are up 12% in the year-to-date period and nearly 8.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are down 1.1% but the Zacks Consumer Staples sector is up 2.8%, respectively, in the year-to-date period. Over the past year, the Zacks sub-industry and the sector are up 30.1% and 19.9%, respectively.

The S&P 500 index is up 10.6% in the year-to-date period and 48.1% in the past year.

The stock is currently trading at 13.13X forward 12-month earnings, which compares to 26.74X for the Zacks sub-industry, 20.42X for the Zacks sector and 23.11X for the S&P 500 index.

Over the past five years, the stock has traded as high as 28.37X and as low as 8.81X, with a 5-year median of 13.2X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$53 price target reflects 13.75X 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	13.13	26.74	20.42	23.11
	5-Year High	28.37	27.51	22.4	23.83
	5-Year Low	8.81	18.78	16.52	15.3
	5-Year Median	13.2	23.74	19.53	18
P/S F12M	Current	1.07	12.93	10.33	4.78
	5-Year High	4.53	20.68	11.96	4.78
	5-Year Low	0.71	12.93	8.6	3.21
	5-Year Median	1.26	17.06	10.35	3.71
EV/EBITDA TTM	Current	7.95	49.31	42.2	18.51
	5-Year High	18.68	53.29	45.76	18.51
	5-Year Low	5.86	26.68	27.45	9.62
	5-Year Median	9.33	43.9	39.32	13.36

As of 04/12/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 9% (232 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Ambev S.A. (ABEV)	Neutral	4
BrownForman Corporation (BF.B)	Neutral	3
Diageo plc (DEO)	Neutral	3
The Boston Beer Company, Inc. (SAM)	Neutral	3
Constellation Brands Inc (STZ)	Neutral	3
AnheuserBusch InBev SANV (BUD)	Underperform	5
Carlsberg AS (CABGY)	Underperform	4
Heineken NV (HEINY)	Underperform	5

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

Industry Comparison Industry: Beverages - Alcohol				Industry Peers		
	TAP	X Industry	S&P 500	BUD	CABGY	HEINY
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Underperform	Underperform
Zacks Rank (Short Term)	3	-	-	5	4	5
VGM Score	B	-	-	B	B	C
Market Cap	10.84 B	12.67 B	29.81 B	131.85 B	24.87 B	62.99 B
# of Analysts	7	2.5	12	4	2	3
Dividend Yield	0.00%	0.00%	1.33%	0.64%	1.42%	0.84%
Value Score	A	-	-	B	B	C
Cash/Price	0.07	0.04	0.06	0.12	0.05	0.07
EV/EBITDA	31.05	15.86	16.97	13.72	12.87	18.47
PEG F1	3.02	2.68	2.38	9.17	NA	9.63
P/B	0.86	3.08	4.01	1.68	3.74	3.83
P/CF	6.16	15.19	17.10	15.19	15.05	13.56
P/E F1	13.49	28.25	22.05	21.72	25.27	29.56
P/S TTM	0.92	2.81	3.42	2.81	NA	NA
Earnings Yield	7.62%	3.54%	4.47%	4.60%	3.96%	3.38%
Debt/Equity	0.57	0.56	0.66	1.22	0.68	1.02
Cash Flow (\$/share)	8.22	1.88	6.78	4.28	2.23	3.99
Growth Score	C	-	-	B	B	B
Historical EPS Growth (3-5 Years)	6.32%	5.56%	9.34%	-11.53%	NA	NA
Projected EPS Growth (F1/F0)	-2.88%	23.81%	15.26%	57.59%	-0.75%	59.48%
Current Cash Flow Growth	-4.08%	-0.66%	0.61%	-32.22%	2.64%	-7.63%
Historical Cash Flow Growth (3-5 Years)	11.67%	4.54%	7.37%	-5.84%	8.46%	3.53%
Current Ratio	0.62	1.84	1.39	0.82	0.67	0.83
Debt/Capital	36.35%	35.83%	41.26%	54.93%	40.32%	50.39%
Net Margin	-8.09%	9.01%	10.59%	3.00%	NA	NA
Return on Equity	6.48%	10.60%	14.86%	10.38%	NA	NA
Sales/Assets	0.41	0.49	0.51	0.41	NA	NA
Projected Sales Growth (F1/F0)	6.32%	0.00%	7.37%	9.76%	12.09%	-8.72%
Momentum Score	C	-	-	F	F	C
Daily Price Change	1.24%	0.00%	0.24%	-0.49%	-0.37%	-0.97%
1-Week Price Change	-3.66%	1.92%	1.54%	2.51%	8.09%	5.06%
4-Week Price Change	6.26%	0.03%	2.84%	3.83%	3.32%	-0.92%
12-Week Price Change	-3.65%	5.24%	10.11%	-5.20%	11.10%	0.19%
52-Week Price Change	12.44%	32.58%	55.81%	31.72%	43.34%	30.33%
20-Day Average Volume (Shares)	2,493,176	31,241	1,992,726	1,287,523	61,787	31,241
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	-0.17%	-0.37%	0.00%
EPS F1 Estimate 4-Week Change	-2.17%	-0.75%	0.00%	-4.52%	-0.37%	-6.88%
EPS F1 Estimate 12-Week Change	-11.20%	-3.57%	2.05%	-8.14%	-3.97%	-12.04%
EPS Q1 Estimate Monthly Change	5.34%	0.00%	0.00%	NA	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	C
Momentum Score	C
VGM Score	B

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

Disclosures

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

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.

Additional Disclosure

This material represents an assessment of the market and economic environment at a specific point in time and is not intended to be a forecast of future events, or a guarantee of future results. Forward-looking statements are subject to certain risks and uncertainties. Any statements that refer to expectations, projections or characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Actual results, performance, or achievements may differ materially from those expressed or implied.

Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as 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.