

## Tyson Foods Inc. (TSN)

**\$76.94** (As of 06/10/21)

Price Target (6-12 Months): **\$82.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 09/04/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:B

Value: A

Growth: C

Momentum: D

### Summary

Tyson Foods has outpaced the industry in the past six months. The company's retail channel is gaining from higher at-home consumption. Tyson Foods' e-commerce channel is also performing well amid consumers' rising inclination toward digital transactions. Apart from these, the company is benefiting from brand strength and robust geographical reach. However, the company continues to face hurdles related to the pandemic, which has been a drag on sales volumes. During the second quarter of fiscal 2021, weak sales volumes across all segments put pressure on the company's performance. Moreover, severe winter weather during the quarter affected volumes negatively. Apart from this, incremental expenses associated with the pandemic put pressure on the company's results.

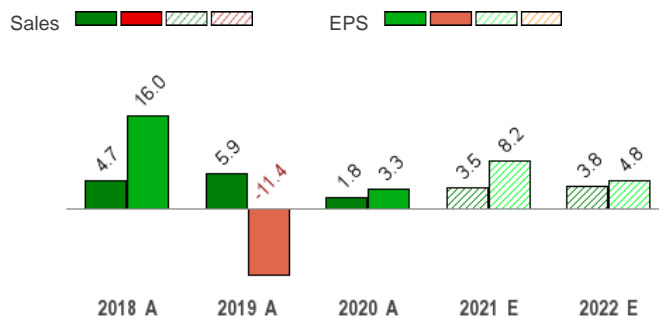
### Price, Consensus & Surprise



### Data Overview

52-Week High-Low	<b>\$81.79 - \$55.28</b>
20-Day Average Volume (Shares)	<b>1,572,087</b>
Market Cap	<b>\$28.1 B</b>
Year-To-Date Price Change	<b>19.4%</b>
Beta	<b>0.84</b>
Dividend / Dividend Yield	<b>\$1.78 / 2.3%</b>
Industry	<b>Food - Meat Products</b>
Zacks Industry Rank	<b>Bottom 46% (134 out of 250)</b>

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>20.7%</b>
Last Sales Surprise	<b>0.9%</b>
EPS F1 Estimate 4-Week Change	<b>0.0%</b>
Expected Report Date	<b>08/02/2021</b>
Earnings ESP	<b>2.3%</b>
P/E TTM	<b>11.9</b>
P/E F1	<b>12.6</b>
PEG F1	<b>3.2</b>
P/S TTM	<b>0.7</b>

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	11,008 E	11,757 E	11,430 E	12,031 E	46,359 E
2021	10,460 A	11,300 A	11,217 E	11,705 E	44,682 E
2020	10,815 A	10,888 A	10,022 A	11,460 A	43,185 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.70 E	\$1.38 E	\$1.68 E	\$1.81 E	\$6.39 E
2021	\$1.94 A	\$1.34 A	\$1.41 E	\$1.37 E	\$6.10 E
2020	\$1.66 A	\$0.77 A	\$1.40 A	\$1.81 A	\$5.64 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 06/10/2021. The report's text and the analyst-provided price target are as of 06/11/2021.

## Overview

Headquartered in Arkansas, Tyson Foods Inc. was founded in 1935. It is the biggest U.S. chicken company and produces, distributes and markets chicken, beef, pork as well as prepared foods. Its products are marketed and sold primarily by sales staff to grocery retailers, grocery wholesalers, meat distributors, military commissaries, industrial food processing companies, chain restaurants, international export companies and domestic distributors.

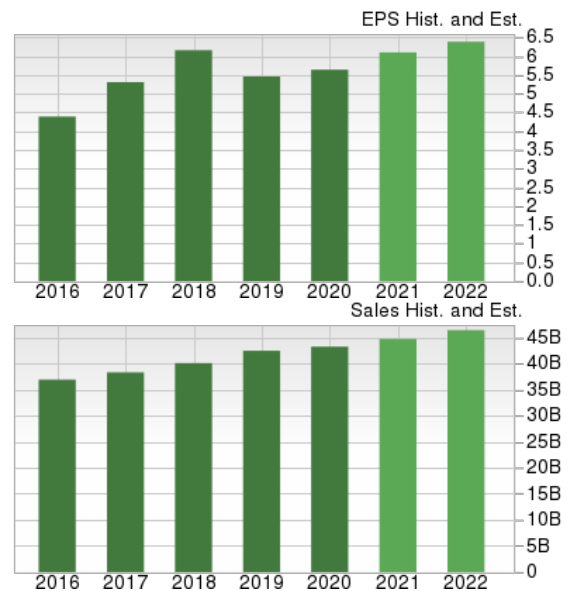
**Chicken (30.6% of FY20 Sales):** The operations of this segment comprise raising and processing live chickens into fresh, frozen and value-added chicken products, as well as sales from allied products.

**Beef (36.5% of FY20 Sales):** This segment's operations include processing cattle and preparing dressed beef carcasses into meat cuts and case-ready products. The revenues from this segment also come from sales of allied products such as hides and variety meats. Allied products are marketed to manufacturers of pharmaceuticals and technical products.

**Pork (12% of FY20 Sales):** This segment's operations comprise processing market hogs and preparing pork carcasses into meat products.

**Prepared Foods (19.8% of FY20 Sales):** This segment's operations include manufacturing frozen and refrigerated food products, like pepperoni, bacon, pizza toppings, pizza crusts, tortilla products, appetizers, prepared meals, ethnic foods, soups, sauces, side dishes, meat dishes and processed meats.

**International/Other (4% of FY20 Sales):** The segment includes foreign operations in Australia, China, South Korea, Malaysia, Mexico, the Netherlands, Thailand and the United Kingdom. Aso, it includes third-party merger, integration costs and corporate overhead related to Tyson New Ventures, LLC.



## Reasons To Buy:

▲ **Robust Retail Demand, Solid E-Commerce Sales:** Tyson Foods' shares have gained 10.2% in the past six months compared with the industry's rise of 7.4%. Tyson Foods has been gaining on rising demand in its retail channel, thanks to increased at-home consumption amid the pandemic. In the second quarter of fiscal 2021, the company delivered growth in the retail channel across all segments. Notably, retail contributed \$700 million to overall sales improvement during the first half and more than \$260 million in the second quarter. In fact, strong retail sales were an upside to the company's overall fiscal second-quarter results, with the top and the bottom line increasing year over year and surpassing the Zacks Consensus Estimate. The company's performance in the quarter reflected sales growth in all the segments. The company continued to see robust growth in the retail business, while its foodservice business saw rebound in the quarter. In the second half of the year, the company expects to witness elevated demand in retail with volumes continuing to surpass pre-pandemic levels in Prepared Foods. Also, management anticipates seeing sequential improvement in foodservice in the second half. To this end, away from home traffic is increasing sequentially owing to vaccine rollouts and improvement in consumer mobility.

Tyson Foods is benefiting from rising demand in its retail channel, thanks to increased at-home consumption amid the pandemic.

Another channel performing well for Tyson Foods is e-commerce as consumers continue to rely on low or no contact buying methods amid the pandemic. Management, in its last earnings call, highlighted that e-commerce sale surged 105% year on year during the latest 13 weeks. During that time, the company generated nearly \$425 million worth revenues through its online channel partners. Apart from this, Tyson Foods is benefiting from its brand strength, innovations, robust geographical reach and ability to leverage its manufacturing capabilities and cater well to the evolving global demand.

▲ **Focus on Protein-Packed Brands:** Tyson Foods remains focused on higher protein production to cater to the rising demand for protein-packed food. For fiscal 2021, USDA expects domestic protein production (chicken, beef, pork and turkey) to improve less than 1% compared with fiscal 2020 levels. For the Beef segment, USDA projects domestic production to increase nearly 3% in fiscal 2021. For Pork, domestic production growth is likely to be up by less than 1%, per the USDA. For the Prepared Foods segment, the company continues to focus on responding to the changing consumer behavior and rising costs. Finally, the company expects better results from its operations in the International/Other segment. Given continued strength in the Beef segment along with gradual rebound in foodservice the company is raising its sales guidance fiscal 2021. Management now anticipates sales in the bracket of \$44-\$46 billion in fiscal 2021 compared with the earlier guidance of \$42-\$44 million.

Well, Tyson Foods boasts a rich portfolio of protein packed brands that are growing rapidly across the globe. Additionally, the company has undertaken divestiture of non-protein businesses (such as Sara Lee Frozen Bakery, Kettle and Van's) so as to focus more on the growing protein-packed food arena. Apart from this, the company has been steadily expanding fresh prepared foods offering, owing to consumers rising demand for natural fresh meat offerings without any added hormones or antibiotics. In this respect, Tyson Foods' buyout of Tecumseh (June 2018) is quite noteworthy. The deal has added the popular air-chilled Smart Chicken brand along with a variety of chicken sausages, fresh and deli-style chicken to Tyson Foods' portfolio. Additionally, Tyson Foods has been venturing into alternative sources for meat and protein products, evident from the investment in Memphis Meats. In this regard, the company's nationwide launch of Raised & Rooted that includes three new products bodes well amid rising demand for plant-based protein options. Recently, Tyson Foods announced that it is rolling out a range of plant-based products in chosen retail markets and digital platforms in Asia Pacific under First Pride brand. Certainly, the introduction of plant-based alternatives in the region brings Tyson Foods closer to its objective of building an impressive portfolio of plant protein brands. In January 2021, the company launched new alternative protein offerings under the Jimmy Dean Label.

▲ **Measures to Boost Efficiency:** Tyson Foods is undertaking a number of operational and supply chain efficiency programs to place itself better for the long run. In this regard, the company is investing in capacity expansion and automation technology investments. Notably, the company's Humboldt production facility in Tennessee has recently started operations. Further, Tyson Foods is solidifying its case-ready meats business by reusing its plant capacity in South Carolina. Incidentally, Tyson Foods intends to open an idle Tyson-owned facility in Columbia and transform it into a meat-cutting facility by the end of 2021. Also, this meat products company plans to introduce a new facility in Utah in the latter part of this year. Further, Tyson Foods is on track to expand capacity in our international operations. Also, the company is constantly looking for ways to improve cost structure, alongside achieving operational improvements and customer service. In this context, the company is striving to achieve improvements in the chicken segment in particular. It has been employing suitable measures across plants for maintaining steady operational flow amid the pandemic.

▲ **Financial Status:** Tyson Foods' long-term debt of \$9,784 at the end of second-quarter fiscal 2021 (as of Apr 3, 2021) decreased 9.3% from \$10,791 million reported in the preceding quarter. Notably, total liquidity was about \$2.6 billion as of Apr 3, 2021. Management expects liquidity to be more than the company's minimum target of \$1 billion. Moreover, the company's debt to capitalization ratio at the end of fiscal second-quarter stood at 0.39 compared with 0.42 at the end of the preceding quarter. The company's times interest earned ratio currently stands at 6.9 higher than last quarter's figure of 6.5. As of Apr 3, 2021, Tyson Foods' had current debt of \$580 million, while its cash and cash equivalents stood at \$877 million.

The company also looks well placed on dividend front. Recently, Tyson foods declared a quarterly dividend of 44.50 cents per share on Class A common stock and 40.05 per cents share on Class B common stock, payable on Sep 15, 2021. Notably, Tyson Foods has a dividend payout of 27.4%, dividend yield of 2.3% and free cash flow yield of 10.1%.

▲ **Strategic Acquisitions:** Tyson Foods has been focusing on acquisitions to expand portfolio and boost sales volumes. We note that the company completed the acquisition of the European and Thai operations of BRF S.A. in June 2019. The buyout has strengthened Tyson Foods' footing in the Thai poultry space as well as expanded presence in the United Kingdom and Netherlands. Prior to this, on Nov 30, 2018, the company completed acquiring Keystone Foods business, which supplies a broad array of meat and chicken products internationally. This buyout has particularly been bolstering the company's Chicken as well as the International and Other segments' performances. The company has acquired a 40% ownership in Brazilian poultry producer and exporter, GrupoVibra.

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Other notable acquisitions of Tyson Foods in the past include; AdvancePierre, Original Philly Holdings, Hillshire as well as Mexican food restaurant chain, Don Julio Foods. Moreover, the company has acquired poultry rendering and blending assets of AMPRO Products, Inc. and American Proteins, Inc. The deal has enabled Tyson Foods to bolster animal products recycling capabilities, which will aid in expanding animal feed business.

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## Reasons To Sell:

- ▼ **COVID-19 Hurts Volumes:** Tyson Foods has been encountering hurdles related to coronavirus. During the second quarter of fiscal 2021, total volumes declined 3.7% year over year. The downside was mainly caused by pandemic-induced production inefficiencies. Further, severe winter weather during the quarter affected volumes negatively. During the quarter, volume in the Beef segment declined 5.8% due to lower live cattle processed stemming from impacts of severe winter weather and tough labor environment in the quarter. Also, Pork segment sales volume dropped 0.5% thanks to reduction in live hogs processed due to severe winter weather. Further, quarterly sales volume in Chicken unit fell 3.2% due to pandemic-led reduced production throughput, disruptions associated with severe winter weather, lower hatch rate and a tough labor environment. Prepared Foods' sales volume declined 4.2% due to reduction in the foodservice channel stemming from reduced demand and lower production throughput. Well, the company is seeing increased retail volumes but reduction in foodservice volumes is causing the downside.
- ▼ **Escalated Costs:** During the second quarter of fiscal 2021, Tyson Foods incurred nearly \$95 million as direct incremental expenses associated with COVID-19, which put pressure on results to an extent. These include team member costs, production facility sanitization, testing for coronavirus, donations, product downgrades, rendered product and professional fees. Apart from these factors, indirect COVID-19 costs included expenses associated with raw materials, transportation, underutilization and reconfiguration of plant, premiums offered to cattle producers as well as discounts on pricing. Management expects expenses associated with COVID-19 worth roughly \$365 million in fiscal 2021.
- ▼ **Food Industry Headwinds:** The food industry is grappling with stiff competition and aggressive promotional environment. The company faces intense competition from other food companies on the grounds of quality, prices and availability. To meet such competitive pressure effectively, Tyson Foods may have to lower prices for its products or indulge in marketing activities to maintain market share.

Tyson Foods volumes remain under pressure mainly due to pandemic-induced production inefficiencies. Also, incremental expenses associated with COVID-19 are woes.

## Last Earnings Report

### Tyson Foods Q2 Earnings Top Estimates, Sales Up Y/Y

Tyson Foods' second-quarter fiscal 2021 adjusted earnings came in at \$1.34 per share, which beat the Zacks Consensus Estimate of \$1.11. Moreover, the bottom line surged 68% year over year.

Total sales came in at \$11,300 million, which increased 3.8% from \$10,888 million reported in the year-ago quarter. The top line surpassed the Zacks Consensus Estimate of \$11,204 million. Gains from average price change were 7.5%, while total volumes declined 3.7%.

Gross profit in the quarter came in at \$1,253 million, up from \$1,021 million reported in the prior-year quarter. Gross profit, as a percentage of sales, came in at 11.1%, up from 9.4% reported in the year-ago quarter. Tyson Foods' adjusted operating income soared 43% to \$739 million. Moreover, adjusted operating margin expanded from 4.7% to 6.5% in the quarter.

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### Segment Details

**Beef:** Sales in the segment increased to \$4,046 million from \$3,979 million reported in the year-ago quarter. Volume declined 5.8% year over year due to lower live cattle processed stemming from impacts of severe winter weather and tough labor environment. Average sales price increased 7.5% on the back of solid beef products demand.

**Pork:** Sales in the segment increased to \$1,477 million from \$1,266 million reported in the year-ago quarter. Sales volume declined 0.5% year over year thanks to reduction in live hogs processed due to severe winter weather. Average sales price increased 17.2% owing to strong demand conditions.

**Chicken:** Sales in the segment increased to \$3,553 million from \$3,397 million reported in the year-ago quarter. Sales volume fell 3.2% due to pandemic-led reduced production throughput, disruptions associated with severe winter weather, lower hatch rate and a tough labor environment. Average sales price increased 7.8% due to favorable sales mix and market conditions.

**Prepared Foods:** Sales in the segment increased to \$2,164 million from \$2,080 million reported in the year-ago quarter. Prepared Foods' sales volume declined 4.2% due to reduction in the foodservice channel stemming from reduced demand and lower production throughput. Average sales price increased 8.2% due to favorable product mix and pass through of higher raw material costs.

**International/Other:** Sales in the segment were \$487 million, up from \$465 million reported in the year-ago quarter. Sales volume inched up 1.2%, while average sales price increased 3.5%.

### Other Financial Updates

The company exited the quarter with cash and cash equivalents of \$877 million, long-term debt of \$9,784 million and total shareholders' equity (including non-controlling interests) of \$16,070 million. In the first six months of fiscal 2021, cash provided by operating activities amounted to \$1,349 million. Total liquidity was about \$2.6 billion as of Apr 3, 2021. Management expects liquidity to remain more than the company's minimum target of \$1 billion. The company projects capital expenditures to be in the lower end of \$1.3-\$1.5 billion for fiscal 2021.

### Outlook

For fiscal 2021, USDA expects domestic protein production (chicken, beef, pork and turkey) to improve less than 1% compared with fiscal 2020 levels. On an adjusted basis, the company expects its Prepared Foods unit to remain flat in fiscal 2021 year on year. The Pork segment is expected to remain lower than in fiscal 2020. Moreover, the Beef segment is expected to deliver better performance in fiscal 2021 compared with fiscal 2020 levels. The Chicken unit is likely to deliver lower results in fiscal 2021. Management anticipates sales in the bracket of \$44-\$46 billion in fiscal 2021, reflecting solid beef markets countered by rising costs.

### Segment-Wise Guidance for Fiscal 2021

For the Beef segment, USDA projects domestic production to increase nearly 3% in fiscal 2021. For Pork, domestic production growth is likely to be up by less than 1%, per the USDA. Further, USDA forecasts domestic production in the Chicken segment to be slightly lower in fiscal 2021 compared with fiscal 2020 levels. For the Prepared Foods segment, the company continues to focus on responding to the changing consumer behavior and rising costs. Finally, the company expects better results from its operations in the International/Other segment.

Quarter Ending	03/2021
Report Date	May 10, 2021
Sales Surprise	0.86%
EPS Surprise	20.72%
Quarterly EPS	1.34
Annual EPS (TTM)	6.49

## Recent News

### Tyson Foods Offers Plant-Based Products in Asia Pacific – Jun 1, 2021

Tyson Foods is rolling out a range of plant-based products in chosen retail markets and digital platforms in Asia Pacific under First Pride brand. For now, Tyson Foods is launching products like plant-based Bites, Nuggets and Strips made using locally-sourced ingredients like soy protein, bamboo fibre and wheat protein, across Malaysia. These offerings will be made available in 420g bags costing RM19.90 (or \$4.81) and can be purchased from retail stores in the region. Further, the company is on track to offer these launches for foodservice customers by the end of 2021. Moreover, management plans to launch these halal certified offerings to other markets across Asia Pacific in the next few months.

Tyson Foods highlighted that plant-based alternatives have been gaining traction in the Asia Pacific; especially since the coronavirus outbreak. The company stated that alternative proteins are likely to contribute 11% to the worldwide protein market by 2035. Further, management stated that per Euromonitor, APAC retail sales of meat substitutes amounted to \$16.3 billion in 2020, while the same is anticipated to cross \$20 billion mark by 2025. Well, the company's aforementioned launches bode well amid rising protein consumption in the Asia Pacific region. Certainly, the introduction of plant-based alternatives in the region brings Tyson Foods closer to its objective of building an impressive portfolio of plant protein brands.

### Tyson Foods Declares Quarterly Dividend – May 14, 2021

Tyson Foods declared a quarterly dividend of 44.50 cents per share on Class A common stock and 40.05 per cents share on Class B common stock, payable on Sep 15, 2021, to shareholders record as of Sep 1, 2021.

### Tyson Foods To Sell Pet Treats Business To General Mills – May 14, 2021

Tyson Foods announced plans to sell pet treats business to General Mills for nearly \$1.2 billion by the end of fiscal 2021. The deal includes the Nudges, True Chews and Top Chews brands along with a production facility in Independence, Iowa.

## Valuation

Tyson Foods' shares are up 19.4% in the year-to-date period and 23.7% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 12.8% and the Zacks Consumer Staples sector gained 7% in the year-to-date period. Over the past year, the Zacks sub-industry is up 14% while the sector gained 25%.

The S&P 500 index is up 13.1% in the year-to-date period and 41% in the past year.

The stock is currently trading at 12.21X forward 12-month earnings, which compares to 16.99X for the Zacks sub-industry, 20.78X for the Zacks sector and 21.74X for the S&P 500 index.

Over the past five years, the stock has traded as high as 16.69X and as low as 6.76X, with a 5-year median of 12.16X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$82 price target reflects 13.01X forward 12-month earnings.

The table below shows summary valuation data for TSN

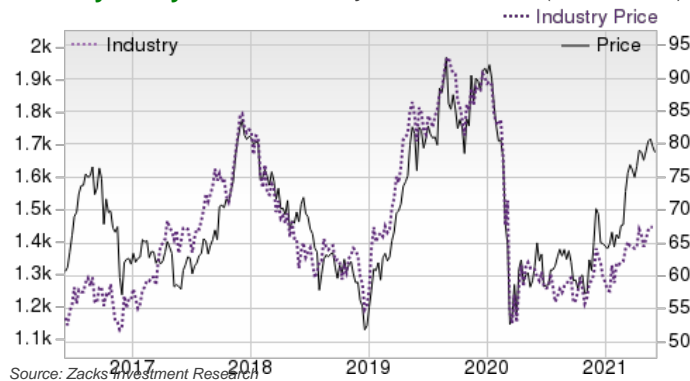
Valuation Multiples - TSN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.21	16.99	20.78	21.74
	5-Year High	16.69	19.1	22.4	23.83
	5-Year Low	6.76	11.48	16.51	15.31
	5-Year Median	12.16	15.48	19.5	18.05
P/S F12M	Current	0.61	0.99	10.43	4.7
	5-Year High	0.76	1.11	11.94	4.74
	5-Year Low	0.35	0.8	8.57	3.21
	5-Year Median	0.61	0.95	10.32	3.72
EV/EBITDA F12M	Current	8.19	10.34	37.52	15.8
	5-Year High	10.32	19.91	38.67	16.53
	5-Year Low	6.03	8.35	26.61	10.79
	5-Year Median	8.21	9.91	34.97	13.59

As of 06/10/2021

Source: Zacks Investment Research



## Industry Analysis Zacks Industry Rank: Bottom 46% (134 out of 250)



## Top Peers

Company (Ticker)	Rec	Rank
B&G Foods, Inc. (BGS)	Neutral	3
Campbell Soup Company (CPB)	Neutral	3
Flowers Foods, Inc. (FLO)	Neutral	3
Hormel Foods Corporation (HRL)	Neutral	3
Pilgrims Pride Corporation (PPC)	Neutral	3
Sanderson Farms, Inc. (SAFM)	Neutral	3
Tyson Foods, Inc. (TSN)	Neutral	3
Beyond Meat, Inc. (BYND)	Underperform	4

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

Industry Comparison Industry: Food - Meat Products				Industry Peers		
	TSN	X Industry	S&P 500	HRL	PPC	SAFM
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	B	-	-	B	A	A
Market Cap	28.07 B	5.59 B	30.26 B	26.38 B	5.59 B	3.69 B
# of Analysts	5	3.5	12	7	2	1
Dividend Yield	2.31%	0.00%	1.28%	2.01%	0.00%	1.06%
Value Score	A	-	-	C	A	A
Cash/Price	0.03	0.06	0.06	0.06	0.07	0.03
EV/EBITDA	8.52	10.24	17.41	19.32	11.96	23.32
PEG F1	3.17	1.89	2.14	4.45	0.42	0.30
P/B	1.75	2.10	4.16	3.93	2.04	2.45
P/CF	8.64	9.04	17.71	23.59	9.44	23.37
P/E F1	12.61	11.38	21.55	27.95	11.38	10.76
P/S TTM	0.65	0.69	3.49	2.67	0.45	0.94
Earnings Yield	7.93%	8.37%	4.55%	3.58%	8.81%	9.30%
Debt/Equity	0.61	0.38	0.66	0.16	0.86	0.04
Cash Flow (\$/share)	8.91	2.34	6.83	2.06	2.43	7.08
Growth Score	C	-	-	C	B	A
Historical EPS Growth (3-5 Years)	5.22%	-7.16%	9.44%	1.30%	-14.19%	-29.21%
Projected EPS Growth (F1/F0)	8.19%	36.22%	21.30%	4.90%	97.55%	3,851.22%
Current Cash Flow Growth	4.96%	-7.37%	0.98%	0.30%	-15.04%	-22.60%
Historical Cash Flow Growth (3-5 Years)	10.06%	-0.92%	7.28%	5.08%	-6.93%	-12.48%
Current Ratio	1.74	2.90	1.39	2.99	1.68	2.81
Debt/Capital	37.84%	25.64%	41.53%	13.43%	46.21%	3.51%
Net Margin	5.00%	4.24%	11.95%	8.99%	1.04%	4.24%
Return on Equity	15.26%	12.83%	16.36%	13.68%	12.83%	11.43%
Sales/Assets	1.24	1.26	0.51	1.00	1.66	2.06
Projected Sales Growth (F1/F0)	3.47%	9.91%	9.37%	9.91%	0.00%	26.15%
Momentum Score	D	-	-	A	C	A
Daily Price Change	-0.59%	-0.59%	0.21%	0.81%	-0.35%	1.25%
1-Week Price Change	-1.07%	0.00%	0.58%	1.83%	-3.66%	-0.42%
4-Week Price Change	-4.49%	2.13%	1.55%	2.64%	-8.02%	-5.35%
12-Week Price Change	0.01%	3.48%	7.72%	0.79%	-7.80%	3.48%
52-Week Price Change	28.56%	28.56%	46.01%	3.91%	28.17%	38.33%
20-Day Average Volume (Shares)	1,572,087	211,674	1,775,554	2,391,347	455,382	211,674
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.33%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.00%	0.00%	0.03%	0.49%	-1.23%	80.23%
EPS F1 Estimate 12-Week Change	5.61%	4.21%	3.52%	0.00%	2.81%	103.47%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-0.25%	0.00%	70.22%

Source: Zacks Investment Research



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## 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	<b>A</b>
Growth Score	<b>C</b>
Momentum Score	<b>D</b>
VGM Score	<b>B</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.

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## Disclosures

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

## Glossary of Terms and Definitions

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

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

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

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

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

**4-Week Price Change:** This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a 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.

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**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.

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**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.

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**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.