

Uber Technologies (UBER)

\$51.00 (As of 12/15/20)

Price Target (6-12 Months): **\$54.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/21/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:D

Value: F

Growth: D

Momentum: A

Summary

Uber's delivery business is witnessing a boom with online order volumes from homebound customers surging. In such a scenario, the recently completed acquisition of Postmates, which expands its delivery unit, provides a further boost. Moreover, the passage of Proposition 22 in California has removed a major hurdle for Uber. This win allows the company to retain the independent contractor status for its drivers and delivery people in California, rather than classifying them as employees. Amid these positives, shares of Uber have outperformed its industry so far this year. However, significant downturn in the Mobility business is concerning. Although ride volumes have improved from the April lows, it is way below year-ago levels. Due to this rides weakness, Uber expects to become profitable in 2021 instead of 2020, as was anticipated previously.

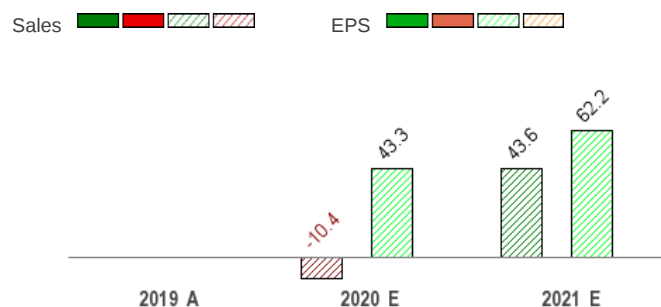
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$56.02 - \$13.71
20-Day Average Volume (Shares)	18,288,458
Market Cap	\$90.0 B
Year-To-Date Price Change	71.5%
Beta	1.60
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Bottom 31% (175 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-3.3%
Last Sales Surprise	-0.5%
EPS F1 Estimate 4-Week Change	0.1%
Expected Report Date	02/04/2021
Earnings ESP	20.8%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	3,971 E	4,254 E	4,605 E	5,033 E	18,211 E
2020	3,543 A	2,241 A	3,129 A	3,708 E	12,681 E
2019	3,099 A	3,166 A	3,813 A	4,069 A	14,147 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.50 E	-\$0.41 E	-\$0.33 E	-\$0.27 E	-\$1.46 E
2020	-\$0.64 A	-\$1.02 A	-\$0.62 A	-\$0.53 E	-\$3.86 E
2019	-\$2.26 A	-\$4.72 A	-\$0.68 A	-\$0.64 A	-\$6.81 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	6.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 12/15/2020. The reports text is as of 12/16/2020.

Overview

Uber Technologies, based in San Francisco, CA, was incorporated in Delaware in July 2010. The company went public in May 2019. Its IPO price was \$45. Uber closed its IPO on May 14. During the process, the company issued and sold 180 million shares of its common stock.

Uber has expanded its presence in multiple countries across the globe including the United States and Canada, Latin America, Europe, the Middle East and Asia (excluding China). Currently, it is trying to expand further.

Uber focuses on developing and supporting proprietary technology applications or platforms. These platforms should enable independent providers of ridesharing services, Eats meal preparation and delivery services to transact with riders (for ridesharing services) and eaters (for meal preparation and delivery services). The company has expanded its Delivery (formerly Eats) unit with the acquisition of Postmates in December 2020.

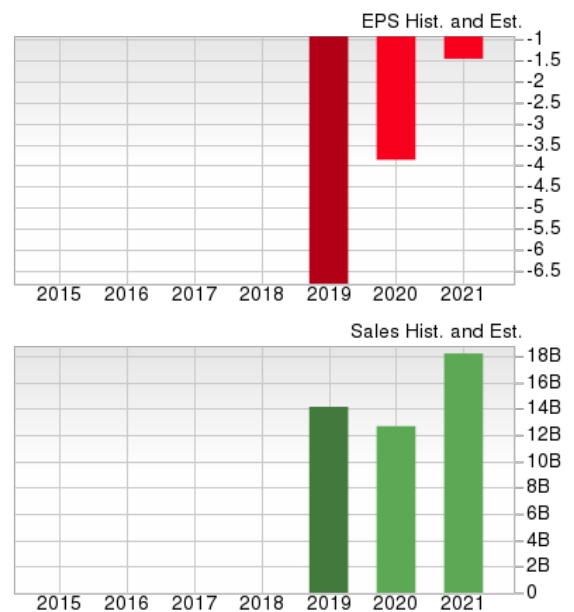
Driver partners offer ridesharing services to riders through a plethora of offerings based on vehicle type and/or the number of riders. Meanwhile, the restaurant and the delivery partners are responsible for offering meal preparation and delivery services, respectively.

These apart, Uber offers freight transportation services to shippers within the freight industry. The company is also responsible for leasing vehicles to third-parties who often utilize them for providing ridesharing or eats services through its platforms.

Following an organizational change in the third quarter of 2019, Uber started reporting through five segments, namely, Mobility (formerly Rides), Delivery, Freight, Advanced Technologies Group ("ATG") and Other Technology Programs, and All Other (formerly Other Bets).

In the third quarter of 2020, 46.4% of Uber's revenues came from Delivery. Meanwhile, Mobility and Freight contributed 43.6% and 9.2% to the top line respectively. Revenues from mobility (Uber's core business) are derived mainly from fees paid by its driver partners for using Uber's platforms and other services. Meanwhile, delivery revenues are derived from restaurant and delivery partners. ATG and Other Technology Programs, and All Other, accounted for the remaining source of revenues.

Uber's fiscal year coincides with the calendar year.



Source: Zacks Investment Research

Reasons To Buy:

- ▲ We are impressed by Uber's efforts to expand its presence across the globe. In line with its expansion initiatives, the company plans to invest \$150 million into a joint venture with South Korea's SK Telecom Co. Uber will have a 51% stake in the joint venture. Subject to regulatory approval, the two companies expect to commence operations in the first half of 2021. In another move, Uber has expanded its ridesharing services throughout the Quebec province this October. Additionally, in August 2020, the company entered into an agreement to acquire Autocab, a U.K.-based taxi-software company. In July, it acquired Routematch, a transit software company providing services to more than 500 transit agencies. The acquisition allows Uber to expand its transit-agency customer base. Previously, in October 2019, the company increased its market share in West Africa by virtue of a boat service in the Nigerian city of Lagos. Also, it started operating in Cordoba, Argentina in September 2019. Cordoba is the third Argentine city with Uber operations. Additionally, the decision to buy a majority interest in South American online grocery-provider Cornershop is aligned with the company's attempts to expand. The transaction has been closed in all jurisdictions, except for Mexico. Additionally, Uber's acquisition of Dubai-based Careem for \$3.1 billion has expanded its presence across the Middle East, North Africa and Pakistan. The buyout is anticipated to positively impact its 2020 gross bookings. Additionally, we are encouraged by Uber's initiatives to reduce the environmental impact of its mobility business. To this end, the company commits to transition to a zero-emission platform entirely by 2040.
- ▲ A major hurdle has been removed for Uber with the London court granting the company an 18-month license extension to continue operations in the city. In the event of a negative ruling, the company would have lost one of its most important international markets with roughly 45,000 drivers. Additionally, the passage of Proposition 22 by California voters in November marked a major victory for Uber. This win allows the company to retain the independent contractor status for its drivers in California, thus exempting it from the state law, which would have forced Uber to reclassify its drivers as employees. Classifying drivers as employees would have inevitably raised labor costs for the company. With Proposition 22 however, Uber drivers and delivery people in California would be provided with some new benefits and protections.
- ▲ In a bid to trim losses, Uber sold its online food-ordering business in India to Zomato in January. The unit had performed dismally ever since its launch in India in 2017. Additionally, in May 2020, the company terminated its unprofitable Uber Eats services in the Czech Republic, Egypt, Honduras, Romania, Saudi Arabia, Uruguay and Ukraine. This should help the company focus on areas that have a high growth potential. Moreover, as part of its efforts to reduce operating expenses amid challenges posed by the ongoing pandemic, Uber has reduced its workforce significantly. In September, the company slashed its U.K. staff by 30%. Last year too, the company reduced its total strength by laying off thousands of employees. Apart from improving efficiencies, the company aims to drive its bottom line in the face of mounting losses through the aforesaid measure. To combat the coronavirus-induced challenges on its rides business, the company reduced its annual fixed cost by more than \$1 billion. Total expenses declined 27.1% year over year in the first nine months of 2020 with 24.7% and 59.3% reduction in sales and marketing costs and research and development expenses respectively. Additionally, with focus on financial discipline, the company has been able to reduce its adjusted EBITDA losses over the past few quarters. Despite coronavirus-related challenges, adjusted EBITDA loss narrowed by \$36 million year over year in the first nine months of 2020.
- ▲ Although the coronavirus pandemic is hurting Uber's ride-hailing business, the same is causing a surge in its Delivery business with online order volumes from homebound customers surging. In the third quarter, the company's Delivery business contributed the majority (46.4%) to the top line. Revenues and gross bookings from this segment surged more than 100% year over year in the quarter. This robust growth in the Delivery business is helping to partly offset the downturn in Mobility (rides) operations. Uber's efforts to expand its Delivery business are laudable, given the boom it is witnessing. In this regard, the company's acquisition of Postmates, completed in December 2020, is a major positive. The acquisition strengthens Uber's delivery business, helping it widen its base in Los Angeles and the American Southwest, where Postmates had a strong base. Additionally, the company is seeing a surge in demand for grocery deliveries amid the pandemic. To cater to this increase in demand, the company has launched grocery-delivery services in Latin America, Canada and the United States in partnership with Cornershop. Moreover, gradual recovery in the Mobility business is encouraging. Notably, gross bookings at the Mobility segment increased 94% sequentially in the third quarter. With Mobility, the taxi business segmented nearly 20% year over year in the period.
- ▲ Uber's initiatives to exit side businesses and focus on its core ride-hailing and delivery platforms should help it move toward its profitability goal. Notably, the company will be selling its flying taxi unit, Uber Elevate, to Joby Aviation. As part of the acquisition deal, Uber will invest \$75 million in Joby. In a similar deal with Aurora Innovation, the company will sell its self-driving unit Advanced Technologies Group or ATG. Uber will invest \$400 million in Aurora to get a 26% stake in the company. Both these transactions are expected to close in the first quarter of 2021, subject to customary closing conditions.

Uber's efforts to expand its Delivery operations in response to the surge in business are encouraging

Reasons To Sell:

- ▼ Management uncertainty often shakes the confidence of investors in a stock and Uber is no exception. Close on the heels of the IPO lock-up expiration (wherein the stock hit a record low), the company's chief product officer Manik Gupta resigned and left the organization on Dec 13, 2019. Sadly enough, the company has a history of frequent management changes. In June 2019, post the company's announcement regarding its leadership overhaul, its erstwhile chief operating officer (COO) Barney Harford and chief marketing officer Rebecca Messina quit the company. Jill Hazelbaker is now looking after the ride-hailing giant's marketing operations in addition to the company's functions in relation to policy and communications. Moreover, the COO position has been eliminated, with Andrew Macdonald being promoted to the position of senior vice president of Global Rides and Platform. However, if these changes in management fail to yield the desired results, the Uber stock might be hit severely.
- ▼ With Uber losing money massively (loss of more than \$8 billion in 2019 and a loss of \$5.8 billion in the first nine months of 2020), the divestiture by the company's co-founder and former CEO Travis Kalanick is a further dampener for the stock. Kalanick sold his entire stake in Uber worth nearly \$3 billion. He also quit the board on Dec 31, 2019.
- ▼ The coronavirus crisis has affected the company's goal of becoming profitable (on an adjusted basis) this year. With coronavirus restricting people to their homes, the company's Mobility business has taken a significant hit. Although ride volumes have improved from the April lows (down 80% year over year), it is below year-ago levels. Given this downturn in the core rides business, Uber now expects to reap profits on an adjusted EBITDA basis in 2021 against its previous expectation of becoming profitable by the fourth quarter of 2020. The significant impact of coronavirus on Uber's rides business is evident from the 53% year-over-year decline in gross bookings from Mobility in the third quarter. The same declined 5% and 75% in the first and second quarters respectively. Mobility revenues dropped 53% year over year causing an 18% decline in the top line in the third quarter. The mobility business is expected to remain under pressure unless coronavirus concerns fade.
- ▼ Slow rides recovery in the United States, Uber's home and a key market, is concerning. During the third quarter conference call, management stated that weakness in rides in the United States is weighing on the overall recovery. Notably, gross bookings declined 65% year over year in October in the United States compared with a 34% decrease outside the United States. Additionally, fresh lockdowns in some of the European countries is likely to slow down recovery in the Europe, the Middle East and Africa (EMEA) region. Notably, mobility gross bookings in the EMEA region declined 3% month over month in October.

The Mobility business is expected to remain under pressure unless coronavirus concerns fade.

Last Earnings Report

Uber's Q3 Loss Wider Than Expected

Uber incurred a loss of 62 cents per share in the third quarter of 2020, wider than the Zacks Consensus Estimate of a loss of 60 cents. However, the loss narrowed by 8.8% year over year. Meanwhile, total revenues of \$3,129 million missed the Zacks Consensus Estimate of \$3,143.7 million. The top line dropped approximately 18% year over year due to weakness in the ride-hailing segment, thanks to coronavirus keeping most people homebound.

Following an organizational change in the third quarter of 2019, Uber started reporting through five segments, namely, Mobility (formerly Rides), Delivery (formerly Eats), Freight, Advanced Technologies Group ("ATG") and Other Technology Programs, and All Other (formerly Other Bets).

In the third quarter, majority (46.4%) of the company's revenues came from Delivery. Revenues from this segment skyrocketed more than 100% year over year to \$1,451 million. The company's delivery business is experiencing a boom with online order volumes from homebound customers surging. Mobility revenues plunged 53% year over year to \$1,365 million, while Freight revenues climbed 32% to \$288 million. Meanwhile, ATG and Other Technology Programs generated revenues of \$25 million, up 47%.

Total revenues declined 30% year over year to \$1,674 million in the United States and Canada. While revenues fell 39% to \$320 million in Latin America, it increased 20% to \$641 million in Europe, the Middle East and Africa. Moreover, the same soared 43% to \$494 million in the Asia-Pacific region. Monthly active platform consumers declined 24% to \$78 million.

Gross bookings from Mobility declined 53% to \$5,905 million. Meanwhile, gross bookings from Delivery augmented more than 100% to \$8,550 million. Gross bookings from Freight also climbed 30% to \$290 million. Total gross bookings slipped 10% to \$14,745 million.

Cost of revenues (excluding depreciation and amortization) decreased year over year despite higher driver incentives. Total expenses declined 13.7% year over year to \$4,245 million with sales and marketing expenses falling nearly 17% and research and development expenses decreasing 34.7%.

Uber exited the third quarter with cash and cash equivalents of \$6,154 million compared with \$10,873 million at the end of 2019. Long-term debt, net of current portion at the end of the quarter, was \$6,667 million compared with \$5,707 million at 2019-end.

The company continues to be hopeful about its ability to achieve adjusted EBITDA profits before the end of 2021.

Additionally, the recent passage of Proposition 22 by California voters marks a major victory for Uber. This win will allow the company to retain the independent contractor status for its drivers, thus exempting it from the California state law, which would have forced Uber to reclassify its drivers as employees. Classifying drivers as employees would have inevitably raised labor costs for the company. Proposition 22 however, requires Uber to provide its workers with some new benefits and protections.

Quarter Ending	09/2020
Report Date	Nov 05, 2020
Sales Surprise	-0.47%
EPS Surprise	-3.33%
Quarterly EPS	-0.62
Annual EPS (TTM)	-2.92

Recent News

Uber Raises Prices in California — Dec 15, 2020

Uber has raised prices for customers in California in order to cover the cost of additional benefits that its workers are liable to receive as part of Proposition 22, which was passed by California voters in November. The company is levying additional charges of up to \$1.5 on each ride and up to \$2 on deliveries.

Uber to Sell Flying Taxi Business — Dec 9, 2020

Uber will be selling off its flying taxi unit, Uber Elevate, to Joby Aviation, a California-based startup developing electric aircraft. As part of the acquisition deal, Uber will invest \$75 million in Joby. This investment is in addition to a previously undisclosed investment of \$50 million in the startup in January 2020. Additionally, the two companies will integrate their services into each other's apps.

Uber Reaches Deal to Sell Self-Driving Unit — Dec 8, 2020

Uber has entered into a definitive agreement with Aurora Innovation to sell its self-driving unit Advanced Technologies Group. Per the terms of the agreement, Uber will invest \$400 million in Aurora, a self-driving technology startup, to get a 26% stake in the company. Following the completion of the merger, Uber along with the existing ATG investors, and ATG employees who continue their employment with Aurora, are expected to have an approximate 40% ownership in the latter. Per the deal, Uber's CEO Dara Khosrowshahi will also serve on the board of the combined entity. Additionally, once the transaction closes, Uber and Aurora will enter into an agreement by virtue of which the two companies can collaborate when it comes to launching and commercializing self-driving vehicles on Uber's ridesharing network.

Uber Closes Postmates Acquisition — Dec 1, 2020

Uber has completed its previously announced acquisition of Postmates Inc. The two companies are now in the process of integrating their U.S. operations. The acquisition strengthens Uber's delivery business, helping it widen its base in Los Angeles and the American Southwest, where Postmates had a strong base. While Postmates and Uber Eats apps will remain separate, it will be supported by a combined merchant and delivery network.

Joint Venture With South Korea's SK Telecom — Oct 16, 2020

In a bid to expand operations, Uber plans to invest \$150 million into a joint venture with SK Telecom Co. in South Korea, a country where it faced competition and regulatory pressure. SK Telecom intends to split its maps and ride-hailing unit T Map Mobility and then form a separate car-hailing joint venture with Uber, with the latter investing \$100 million in it for a 51% stake. Uber also expects to invest \$50 million in T Map Mobility. Subject to regulatory approval, the two companies will commence operations from the first half of 2021.

Valuation

Uber's shares are up 71.5% and 71.4% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 33.8% and 35.7% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are up 32.2% and 37% respectively.

The S&P 500 index is up 13.4% and 14.5% in the year-to-date period and in the past year respectively.

The stock is currently trading at 5.01X forward 12-month price to sales, which compares to 6.81X for the Zacks sub-industry, 4.43X for the Zacks sector and 4.22X for the S&P 500 index.

Over the past year, the stock has traded as high as 5.45X and as low as 1.34X, with a 1-year median of 3.41X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$54 price target reflects 5.3X forward 12-month sales.

The table below shows summary valuation data for UBER

Valuation Multiples - UBER					
		Stock	Sub-Industry	Sector	S&P 500
P/S F 12M	Current	5.01	6.81	4.43	4.22
	1-Year High	5.45	7.02	4.49	4.29
	1-Year Low	1.34	5.12	3.13	3.2
	1-Year Median	3.41	6.41	3.93	3.91
EV/S TTM	Current	6.87	7.78	5.26	4.25
	1-Year High	7.39	8.03	5.35	4.32
	1-Year Low	1.38	4.36	3.11	2.61
	1-Year Median	3.96	6.51	4.39	3.81

As of 12/15/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 31% (175 out of 255)



Top Peers

Company (Ticker)	Rec	Rank
Microsoft Corporation (MSFT)	Outperform	2
Amazon.com, Inc. (AMZN)	Neutral	3
salesforce.com, inc. (CRM)	Neutral	3
Expedia Group, Inc. (EXPE)	Neutral	3
Oracle Corporation (ORCL)	Neutral	3
Snap Inc. (SNAP)	Neutral	3
Tesla, Inc. (TSLA)	Neutral	3
Lyft, Inc. (LYFT)	Underperform	5

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

Industry Comparison Industry: Internet - Services				Industry Peers		
	UBER	X Industry	S&P 500	LYFT	MSFT	TSLA
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Outperform	Neutral
Zacks Rank (Short Term)	3	-	-	5	2	3
VGM Score	D	-	-	F	C	B
Market Cap	89.95 B	761.50 M	25.65 B	15.65 B	1,618.93 B	600.26 B
# of Analysts	11	3	13	4	15	11
Dividend Yield	0.00%	0.00%	1.52%	0.00%	1.05%	0.00%
Value Score	F	-	-	D	D	F
Cash/Price	0.08	0.16	0.06	0.16	0.09	0.03
EV/EBITDA	-12.04	2.81	14.36	-5.46	22.48	252.47
PEG F1	NA	2.01	2.76	NA	2.55	8.58
P/B	9.34	4.11	3.51	7.81	13.12	35.53
P/CF	NA	19.35	13.61	NA	28.39	385.61
P/E F1	NA	30.71	21.62	NA	31.82	282.36
P/S TTM	6.93	3.59	2.77	5.57	11.00	21.30
Earnings Yield	-7.57%	0.41%	4.44%	-5.76%	3.14%	0.35%
Debt/Equity	0.69	0.12	0.70	0.31	0.46	0.63
Cash Flow (\$/share)	-4.71	0.03	6.94	-7.21	7.54	1.64
Growth Score	D	-	-	C	C	A
Historical EPS Growth (3-5 Years)	NA%	16.39%	9.69%	NA	20.46%	NA
Projected EPS Growth (F1/F0)	43.29%	15.53%	1.00%	0.96%	16.82%	8,525.77%
Current Cash Flow Growth	-668.58%	-2.71%	5.22%	138.22%	17.66%	36.54%
Historical Cash Flow Growth (3-5 Years)	NA%	19.91%	8.33%	NA	10.19%	54.29%
Current Ratio	1.36	1.97	1.38	1.35	2.53	1.63
Debt/Capital	42.83%	11.83%	42.00%	23.71%	31.62%	39.90%
Net Margin	-53.12%	-6.39%	10.40%	-58.70%	32.28%	1.97%
Return on Equity	-43.27%	-0.67%	14.99%	-60.70%	40.74%	4.93%
Sales/Assets	0.44	0.57	0.50	0.52	0.50	0.73
Projected Sales Growth (F1/F0)	-10.36%	0.43%	0.30%	-34.24%	10.01%	26.09%
Momentum Score	A	-	-	D	D	A
Daily Price Change	-0.89%	0.00%	-0.76%	5.41%	-0.03%	-1.03%
1-Week Price Change	-4.06%	0.00%	-1.29%	1.67%	-0.51%	1.83%
4-Week Price Change	4.32%	8.28%	0.17%	25.06%	-0.15%	43.40%
12-Week Price Change	48.26%	12.36%	16.05%	74.14%	3.23%	49.27%
52-Week Price Change	71.43%	33.33%	4.24%	3.79%	38.42%	735.44%
20-Day Average Volume (Shares)	18,288,458	211,185	2,015,076	8,007,005	25,115,124	49,478,696
EPS F1 Estimate 1-Week Change	0.49%	0.00%	0.00%	0.00%	0.00%	5.15%
EPS F1 Estimate 4-Week Change	0.07%	0.00%	0.00%	0.83%	-0.15%	5.42%
EPS F1 Estimate 12-Week Change	-1.40%	4.60%	3.94%	-6.43%	5.37%	64.72%
EPS Q1 Estimate Monthly Change	1.20%	0.00%	0.00%	2.16%	0.01%	0.49%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	D
Momentum Score	A
VGM Score	D

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 a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.