

Veeva Systems Inc. (VEEV)

\$273.07 (As of 04/16/21)

Price Target (6-12 Months): **\$314.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 04/16/21)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:F

Value: F

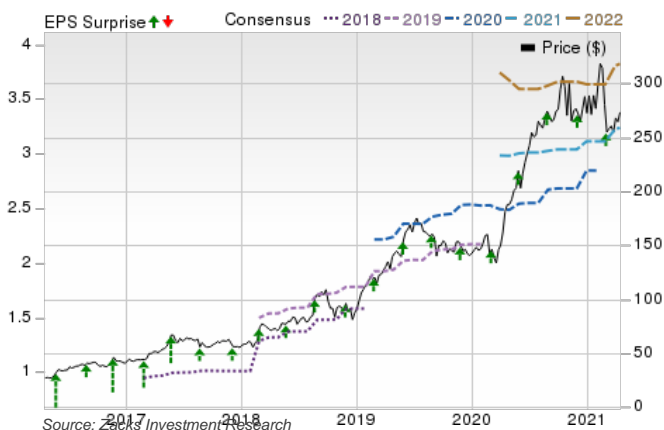
Growth: D

Momentum: D

Summary

Veeva's core Subscription business and Professional Service segments performed impressively. A raised guidance for the next fiscal year buoys optimism as well. Apart from these, the company continues to benefit from its flagship Vault platform. Markedly, the company's unique solutions include Veeva Vault, Veeva CRM, Veeva Network and Veeva OpenData. Its new CRM Sunrise UI and Nitro hold promise. Expansion of both margins is a further positive. Moreover, in Commercial Cloud, Veeva Systems secured a number of deals. Veeva Systems ended fourth-quarter fiscal 2021 on a strong note. On the flip side, substantial increase in operating costs during the quarter under review raises concern. Also, intense competition and a saturating life sciences market remain negatives. Volatility in the foreign currency exchange rate is an added woe.

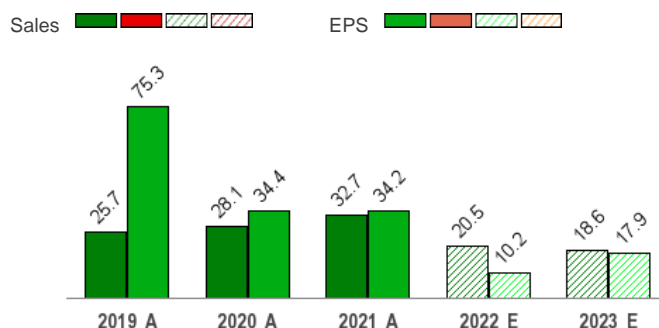
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$325.54 - \$170.02
20-Day Average Volume (Shares)	876,007
Market Cap	\$41.6 B
Year-To-Date Price Change	0.3%
Beta	0.73
Dividend / Dividend Yield	\$0.00 / 0.0%
Industry	Internet - Software
Zacks Industry Rank	Bottom 18% (208 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	14.7%
Last Sales Surprise	4.4%
EPS F1 Estimate 4-Week Change	0.7%
Expected Report Date	05/27/2021
Earnings ESP	0.0%
P/E TTM	92.9
P/E F1	84.5
PEG F1	5.7
P/S TTM	28.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2023	486 E	510 E	539 E	566 E	2,093 E
2022	409 E	428 E	452 E	475 E	1,765 E
2021	337 A	354 A	378 A	397 A	1,465 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2023	\$0.89 E	\$0.94 E	\$1.00 E	\$1.02 E	\$3.82 E
2022	\$0.78 E	\$0.80 E	\$0.83 E	\$0.83 E	\$3.24 E
2021	\$0.66 A	\$0.72 A	\$0.78 A	\$0.78 A	\$2.94 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 04/16/2021. The report's text and the analyst-provided price target are as of 04/19/2021.

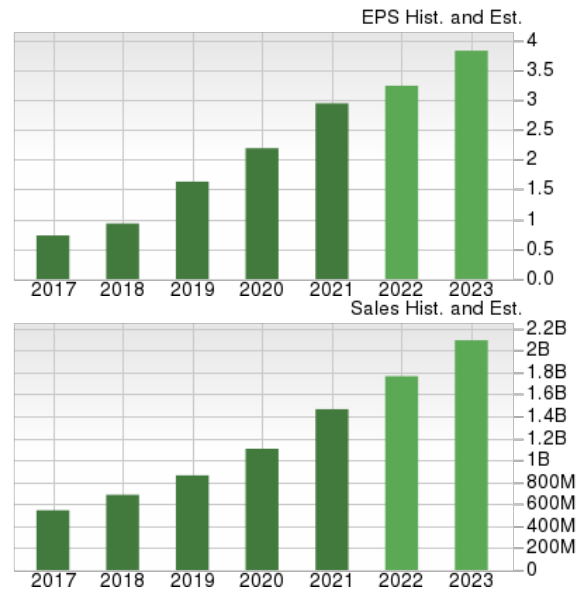
Overview

Headquartered in Pleasanton, CA, Veeva Systems Inc. (VEEV) offers cloud-based software applications and data solutions for the life sciences industry. The company's product portfolio includes Veeva CRM (customer relationship management), Veeva Vault (content and information management), Veeva Network (customer master and product data management) and Veeva data services (Veeva OpenData and Veeva KOL data).

Veeva CRM is the company's flagship product and runs on salesforce.com's SaaS platform. The contract between Veeva and salesforce.com extends till 2025.

Veeva Systems has also released its advanced Veeva Commercial Cloud offering, Veeva CRM Engage Webinar, at the Veeva Commercial Summit Europe. Veeva Systems also released Veeva Vault PromoMats Brand Portal — a new digital asset management capability that helps brand managers create portals, organize and showcase content within Veeva Vault PromoMats.

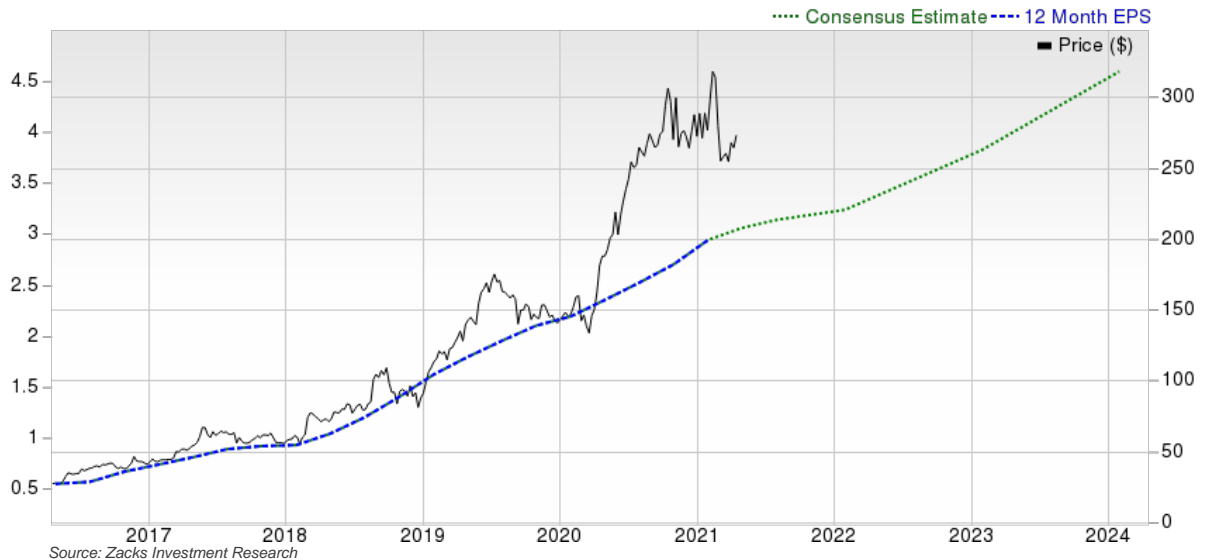
In March 2020, the company commercially launched Veeva Data Cloud, a world-class technology platform, designed for the development and delivery of large-scale patient data and analytics. Veeva Data Cloud's longitudinal patient and prescriber data solution for the U.S. market is expected to be available by December 2020.



FY21 at a Glance

Fiscal 2021 revenues totaled \$1.10 billion, up 33.6%.

Subscription Service revenues were \$1.18 billion (81% of net sales), while Professional services and other revenues grossed \$285.6 million (19%).



Reasons To Buy:

▲ **Focus on Cloud-Based Software:** The life sciences industry has been quite slow in adopting cloud-based software as compared to other industries. However, we believe that the industry is gradually realizing the benefits of cloud-based applications particularly due to the rising regulations and budgetary constraints. The cost-effectiveness of cloud-based applications over in-premise applications is attracting life science companies. However, these companies are also looking for vendors that effectively address their commercial as well as research & development (R&D) operational needs.

Moreover, Veeva Systems has also released its advanced Veeva Commercial Cloud offering, Veeva CRM Engage Webinar, at the Veeva Commercial Summit Europe. Veeva Systems also released Veeva Vault PromoMats Brand Portal — a new digital asset management capability that helps brand managers create portals, organize and showcase content within Veeva Vault PromoMats.

The company is set to bring Veeva CRM field activity data into Crossix Veeva marketing analytics solutions to give brand marketers insights into how sales and marketing activities are conducted. The acquisition of Crossix continues to boost the Commercial Cloud portfolio.

In March 2020, the company commercially launched Veeva Data Cloud, a world-class technology platform, designed for the development and delivery of large-scale patient data and analytics. Veeva Data Cloud's longitudinal patient and prescriber data solution for the U.S. market is expected to be available by December 2020. In May 2020, the company announced MyVeeva for clinical trials. It is a software designed to enabled clinical research sites to interact more remotely with their patients when they need to so that they can have a mix of in-office and virtual visits.

In October 2020, Veeva announced the development of the company's Veeva Clinical Network solution-based first two applications viz. Veeva Site Connect and Veeva eConsent. Notably, the company claims Veeva Clinical Network to be the industry's only solution that connects sponsors, clinical research sites and patients for paperless, patient-centric trials. In November, the company announced that its Veeva Vault PromoMats is being adopted by Bristol Myers Squibb, a leading biopharmaceutical company. This will help the latter in delivery of fast, compliant content throughout all digital channels to its customers. On the back of Vault PromoMats, Veeva Systems has been successfully helping life sciences to get ahead of changing regulations, which includes the need for organizations to submit promotional materials electronically with the latest Electronic Common Technical Document (eCTD) requirements by June 2021. Moreover, the adoption of Vault PromoMats is testament to the success achieved by Bristol Myers when it comes to other Veeva Commercial Cloud applications.

▲ **Industry Collaborations:** Veeva Systems has been taking consistent efforts to support industry collaborations in life sciences. This is done to launch new products and market them easily. The company has been investing in resources to participate on a variety of development committees and industry associations groups. For example, Align Biopharma is a life sciences industry standards group founded by Veeva Systems and technology leaders from the world's largest global pharmaceutical companies. Its mission is to create open technology standards that make it easier for healthcare professionals to work with life sciences companies.

In April 2020, the company announced industry collaborations to expedite the industrywide shift toward digital engagement. Together with Accenture, Deloitte, and other industry partners, Veeva is helping life sciences companies develop and deploy new digital engagement strategies. The Digital Field Engagement offering will help the industry utilize digital channels such as remote meetings, virtual events, and email as the primary way for field reps to connect with healthcare professionals.

In September 2020, Veeva and Bioforum announced that they collaborated with RedHill Biopharma Ltd (RedHill) on a global Phase 2/3 clinical study evaluating opaganib, which is a first-in-class, orally-administered, sphingosine kinase-2 (SK2) selective inhibitor. The study will be conducted in patients who are hospitalized with severe COVID-19 pneumonia requiring treatment with supplemental oxygen. In the same month, the company announced that Switzerland-based Idorsia Pharmaceuticals chose Veeva Commercial Cloud to enable its digital field force in the United States, Japan and countries across Europe. Veeva Commercial Cloud will help Idorsia build the foundation of digital excellence through multichannel engagement, data, content and analytics.

Also, in September, the company announced that German biopharmaceutical company Biotest deployed Veeva Vault eTMF to attain greater visibility across its European trials. In the same month, Veeva announced that the leading independent medical marketing company Medis shifted to multichannel Veeva Customer Relationship Management (CRM) in 15 countries across Central and Eastern Europe to implement its commercial strategy and drive more efficient interactions with healthcare professionals (HCPs). Around the same time, leading, science-led biopharmaceutical company AstraZeneca selected Veeva Vault QMS and Veeva Vault QualityDocs to combine quality management with content on a single cloud platform.

In November 2020, Veeva Systems announced that its Veeva Vault PromoMats is being adopted by Bristol Myers Squibb, a leading biopharmaceutical company. This will help the latter deliver fast and compliant content throughout all digital channels to its customers. In December, Veeva Systems announced that the contract research organization (CRO) GenesisCare Clinical CRO implemented Veeva Vault (electronic trial master file) (eTMF), Veeva Vault clinical trial management system (CTMS) and Veeva Vault Payments to drive efficiency in trial processes worldwide.

Again, in the same month, the company announced that Simbec-Orion is adopting Veeva Vault CTMS and Veeva Vault eTMF to digitize end-to-end clinical trial data, workflows and documents. Notably, Simbec-Orion is a full-service CRO, specializing in the fields of clinical pharmacology, oncology and rare diseases. Further, the company announced that Samsung Biologics has deployed Veeva Vault Quality Management Software (QMS) to simplify its quality management on a singular cloud platform. Notably, Samsung Biologics is a leading global contract development and manufacturing organization (CDMO).

Growing demand for cloud-based and vault applications, new product launches, Veeva Systems' industry focus approach and international expansion are key positives.



▲ **Product Portfolio Strong:** Veeva Systems' unique solutions include Veeva Vault, Veeva CRM, Veeva Network and Veeva OpenData. Veeva Vault is the first cloud-based content management system built specifically for the life sciences. Veeva CRM is a customer relationship management platform that offers cloud-based solutions to reach customers on any channel. Notably, the company has announced mobile innovations in the Veeva CRM platform, which provides information to field teams from any device.

Another new cloud application of the company is Veeva Vault Training, designed to simplify role-based training across life sciences organizations and help quality teams remain audit-ready and compliant. Recently, Veeva Systems released its new AI application, Veeva Andi, that delivers insights and next best action suggestions right in Veeva CRM. The company also announced it is embedding AI in Veeva CRM with Approved Notes and in Veeva Vault PromoMats with Auto Claims Linking. Additionally, the company added 50 new Vault customers. Notably, management saw strength across each Vault application area. Furthermore, Veeva Systems signed a multi-product deal with a top 20 pharma in Europe for Vault in the clinical and regulatory areas.

Customer adoption for Vault application continued through the fiscal fourth quarter of 2021. The company expects Vault to continue with its strong growth momentum, particularly Development Cloud, with progress across the board in Clinical, Quality and Regulatory.

In June 2020, the company announced Veeva Link for KAM, a new solution that generates commercial and medical teams precise customer data and real-time insights for key account management. Veeva Link for KAM integrates data and AI-driven insights on key people and key accounts from thousands of scientific and digital sources.

▲ **Strategic Partnerships to Drive Growth:** Veeva Systems and Accenture PLC recently announced a strategic partnership to provide Veeva Vault RIM solutions to life sciences and pharma companies. The collaboration reflects growing demand for the company's solutions among major life sciences and pharmaceutical companies. Strategic deals with companies like Accenture will strengthen Veeva Systems' customer base which in turn will drive subscription revenues. In recent times, a top 50 pharma selected Veeva Systems as their CRM standard for Europe.

More than a year ago, Veeva Systems acquired Crossix and Physicians World, which have proven to be accretive. Notably, the buyouts jointly contributed more than \$103 million to total revenues in fourth-quarter fiscal 2021. Further, the company invested in Crossix as it grew the team by more than 50% since acquisition. Per the fiscal fourth-quarter earnings call, the company anticipates these new businesses to continue to thrive in line with the company's overall growth in fiscal 2022.

In June 2020, Crossix announced the launch of the DIFA Partner Program, enabling the former to receive media exposure data directly from publishers and media platforms. In July 2020, Syneos Health partnered with Veeva Systems to offer Veeva Commercial Cloud solutions. By combining its comprehensive commercialization expertise with Veeva Commercial Cloud, Syneos Health helps customers enhance performance, curtail risks and expedite commercial launches.

In Feb 2021, Veeva Systems inked a deal with Impel NeuroPharma to accelerate pre-launch preparation for Impel's migraine treatment INP104. Notably, INP104 is FDA-approved and will be marketed under the trade name TRUDHESA. Impel will leverage Veeva's software, data, and consulting to accelerate pre-launch planning and digital-first commercial execution for migraine treatment.

▲ **Industry Specific Focus:** Veeva Systems' industry specific focus gives it a significant leverage, in our view. The company's knowledge base about the different components of the life sciences industry is helping it to build targeted products. Product like Veeva OpenData provides customer data for all healthcare professionals (HCP), healthcare organizations (HCO) and affiliations across life sciences' major markets. Veeva OpenData aims at obliterating complexities involved with customer data management with the help of data access agreements and partnerships with other third-party providers. Similarly, the company's CRM and vault applications look after the respective marketing and content management operations of life sciences companies.

Veeva Systems ended fiscal 2021 with 993 customers, up from 861 in the year prior. Veeva Commercial Cloud witnessed growth with 432 customers, which went up from 390 in the prior-year period, and Veeva Vault increased to 852 customers, up from 715 customers in fiscal 2020.

▲ **Strong Liquidity Position:** The company exited the fiscal fourth quarter with cash and cash equivalents of \$1.66 billion compared with \$1.59 billion at the end of the fiscal third quarter. However, it did not incur either long-term or current debt for the fiscal fourth quarter. Further, cumulative net cash provided by operating activities was \$551.2 million, up from \$437.4 million at the end of the year-ago period. This is good news in terms of the company's solvency level as at least during this year of economic downturn, it is holding sufficient cash for debt repayment.

Risks

- **Share Price Movement:** Shares of Veeva Systems have underperformed its industry in the past year. The stock has gained 48.1%, compared with the industry's rally of 88.9%. Significant rise in operating costs raises concern as it can weigh on the company's margins. Volatility in the foreign currency exchange rate is an added woe. Also, intense competition and a saturating life sciences market are headwinds. Furthermore, compliance is a very important factor in the highly-regulated life sciences industry and in the current scenario, regulations have become increasingly stringent for global companies. These standards are constantly evolving, making compliance even more challenging.
 - **Macroeconomic Sluggishness:** The life sciences are coping with a sluggish economy, less revenue and reduced productivity. The company's industry-specific focus is also its weakness, as any sector specific movement can adversely affect its performance. Moreover, growth opportunity in the life sciences industry is slowing down as the market saturates, which can hurt Veeva Systems' CRM sales growth rate going forward. Furthermore, compliance is a very important factor in the highly-regulated life sciences industry. In current times, regulations have grown increasingly difficult for global companies. These standards are constantly evolving, making compliance even more challenging. We believe, unfavorable regulatory tidings in the life sciences industry might mar Veeva System's growth trajectory in the long haul.
 - **Escalating Costs and Dented Margins:** High expenses on the operational side raise concern and can weigh on the company's margins. Although in the fiscal fourth quarter of 2021, the company witnessed expansion in both gross and operating margins, the rise in operating costs (up 17.4% on a year-over-year basis) cannot go unnoticed.
 - **Cutthroat Competition:** Veeva Systems faces significant competition across most of its product lines. The competitors include the likes of Oracle Corporation, Cegedim SA and IMS Health Holding in the CRM solutions market. In the content management market, its Vault product competes with products from EMC, Microsoft and OpenText. We believe that intensifying competition will impact the company's market share going forward.
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Last Earnings Report

Veeva Systems Q4 Earnings and Revenues Beat Estimates

Veeva Systems, Inc. reported fourth-quarter fiscal 2021 adjusted earnings per share of 78 cents, beating the Zacks Consensus Estimate of 68 cents by 14.7%. Moreover, the metric surged 44.4% on a year-over-year basis.

For fiscal 2021, adjusted EPS came in at \$2.94, beating the Zacks Consensus Estimate by 3.5%. Also, the bottom line grew 34.2% year over year.

Quarter Ending 01/2021

Report Date	Mar 02, 2021
Sales Surprise	4.44%
EPS Surprise	14.71%
Quarterly EPS	0.78
Annual EPS (TTM)	2.94

Revenues

For the quarter, the company's revenues totaled \$396.8 million, outpacing the Zacks Consensus Estimate by 4.4%. On a year-over-year basis, the top line improved 27.4%.

For fiscal 2021, revenues summed \$1.47 billion, beating the Zacks Consensus Estimate by 1.4%. The top line also surged 33.6% year over year.

Segmental Details

Subscription Service

Fiscal fourth-quarter subscription service revenues totaled \$322.8 million, up 27% year over year.

Professional Service and Others

Professional Service revenues rose 28.7% to \$73.9 million from the year-ago figure.

Per management, solid performances by Veeva Commercial Cloud and Veeva Vault drove revenues across all segments.

Margin Details

In the reported quarter, gross profit increased 30.3% year over year to \$282.9 million. Gross margin was 71.3%, which expanded 158 basis points (bps).

Total operating cost came in at \$184.1 million, up 17.4%.

Operating profit totaled \$98.8 million, up 63.7% year over year. In the quarter under review, operating margin rose 553 bps to 24.9%.

Cash Position

The company exited the fiscal fourth quarter with cash and cash equivalents of \$730.5 million compared with \$476.7 million at the end of the year-ago period.

Cumulative net cash provided by operating activities came in at \$551.2 million, up from \$437.4 million at the end of the year-ago period.

Guidance

For the first quarter of fiscal 2022, Veeva Systems expects revenues between \$408 million and \$410 million. The Zacks Consensus Estimate for the same stands at \$400.4 million.

Adjusted EPS is projected between 77 and 78 cents. The Zacks Consensus Estimate for the metric is pegged at 74 cents.

Adjusted operating income is estimated between \$157 million and \$159 million.

For fiscal 2022, revenues are expected within \$1.76 and \$1.77 billion (up from the previously issued guided range of \$1.70-\$1.72 billion). The Zacks Consensus Estimate for the same is pegged at \$1.72 billion.

Adjusted EPS is expected to be \$3.20. The Zacks Consensus Estimate for the same stands at \$3.11.

Adjusted operating income is anticipated to be around \$655 million.

Recent News

Veeva Application Completes Consent for First Patient : Mar 17, 2021

Veeva announced a major development for Veeva eConsent, a MyVeeva for Patients application developed on Veeva Clinical Network. The company had its first patient complete an electronic consent for an early phase clinical trial by Crofoot Research Center.

Veeva inked a deal with Impel NeuroPharma: Feb 10, 2021

Veeva inked a deal with Impel NeuroPharma to accelerate pre-launch preparation for Impel's migraine treatment INP104. Notably, INP104 is FDA-approved and will be marketed under the trade name TRUDHESA.

Valuation

Veeva Systems' shares are up 0.3% in the year-to-date period while up 48.1% in the trailing 12-month period. Stocks in the Zacks sub-industry are down 6.1% in the year-to-date period while that in the Zacks Computer and Technology Market are up 14.2%. Over the past year, the Zacks sub-industry and sector are up 88.9% and 70.5%, respectively.

The S&P 500 index is up 12.3% in the year to date period and 51.2% the past year.

The stock is currently trading at 22.7X Forward 12-months sales, which compares to 9.5X for the Zacks sub-industry, 5.1X for the Zacks sector and 4.8X for the S&P 500 index.

Over the past five years, the stock has traded as high as 30.5X and as low as 6.6X, with a 5-year median of 13.7X.

Our Outperform recommendation indicates that the stock will perform above the market. Our \$314 price target reflects 26X forward 12-months sales.

The table below shows summary valuation data for VEEV.

Valuation Multiples - VEEV					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	22.65	9.45	5.05	4.83
	5-Year High	30.52	10.56	5.05	4.83
	5-Year Low	6.55	4.95	2.80	3.21
	5-Year Median	13.71	6.10	3.50	3.71
P/B TTM	Current	18.32	10.50	9.49	7.00
	5-Year High	23.77	14.72	9.50	7.03
	5-Year Low	6.77	2.76	4.42	3.83
	5-Year Median	12.35	6.27	5.81	4.99

As of 04/16/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 18% (208 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	3
salesforce.com, inc. (CRM)	Neutral	3
International Business Machines Corporation (IBM)	Neutral	3
IQVIA Holdings Inc. (IQV)	Neutral	2
Allscripts Healthcare Solutions, Inc. (MDRX)	Neutral	3
Microsoft Corporation (MSFT)	Neutral	2
Oracle Corporation (ORCL)	Neutral	2
Premier, Inc. (PINC)	Neutral	3

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

Industry Comparison Industry: Internet - Software				Industry Peers		
	VEEV	X Industry	S&P 500	AMZN	MSFT	ORCL
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	2	2
VGM Score	F	-	-	B	F	D
Market Cap	41.57 B	1.76 B	30.15 B	1,711.84 B	1,966.56 B	227.66 B
# of Analysts	12	5	12	18	16	12
Dividend Yield	0.00%	0.00%	1.28%	0.00%	0.86%	1.62%
Value Score	F	-	-	D	F	C
Cash/Price	0.04	0.07	0.06	0.05	0.07	0.16
EV/EBITDA	89.22	-2.18	17.10	32.49	27.62	15.00
PEG F1	5.71	4.14	2.40	2.55	2.79	2.08
P/B	18.32	8.20	4.08	18.33	15.10	23.62
P/CF	109.18	51.00	17.07	36.75	34.57	16.88
P/E F1	84.54	78.85	22.39	68.64	35.38	17.72
P/S TTM	28.37	7.16	3.46	4.43	12.83	5.74
Earnings Yield	1.18%	0.14%	4.41%	1.46%	2.83%	5.65%
Debt/Equity	0.00	0.00	0.66	0.34	0.42	6.59
Cash Flow (\$/share)	2.50	-0.00	6.78	92.50	7.54	4.68
Growth Score	D	-	-	A	C	D
Historical EPS Growth (3-5 Years)	45.48%	20.75%	9.34%	78.50%	21.45%	11.42%
Projected EPS Growth (F1/F0)	10.03%	6.30%	15.70%	18.40%	27.94%	15.76%
Current Cash Flow Growth	29.40%	-7.22%	0.61%	39.56%	17.66%	-2.42%
Historical Cash Flow Growth (3-5 Years)	40.48%	19.09%	7.37%	46.61%	10.19%	-0.39%
Current Ratio	3.23	1.86	1.39	1.05	2.58	2.16
Debt/Capital	0.00%	4.39%	41.26%	25.41%	29.74%	86.83%
Net Margin	25.94%	-11.35%	10.59%	5.53%	33.47%	32.32%
Return on Equity	16.09%	-5.26%	14.98%	27.07%	42.19%	116.15%
Sales/Assets	0.56	0.54	0.51	1.43	0.51	0.35
Projected Sales Growth (F1/F0)	20.46%	15.25%	7.43%	22.47%	14.33%	3.20%
Momentum Score	D	-	-	B	D	F
Daily Price Change	-1.00%	-0.72%	0.49%	0.60%	0.48%	0.84%
1-Week Price Change	-1.32%	0.00%	1.54%	6.68%	5.57%	5.25%
4-Week Price Change	7.86%	0.00%	5.18%	12.27%	13.01%	18.29%
12-Week Price Change	-4.80%	-4.85%	11.23%	2.80%	15.90%	28.98%
52-Week Price Change	56.73%	98.01%	59.10%	41.16%	47.28%	47.02%
20-Day Average Volume (Shares)	876,007	709,832	1,960,937	3,082,251	27,376,454	13,591,386
EPS F1 Estimate 1-Week Change	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.66%	0.00%	0.04%	0.07%	0.00%	0.00%
EPS F1 Estimate 12-Week Change	4.27%	-6.32%	1.93%	10.62%	9.55%	2.57%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	-0.09%	0.00%	0.00%

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	D
VGM Score	F

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

Disclosures

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

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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.