

ViacomCBS Inc. (VIAC)

\$46.00 (As of 06/28/21)

Price Target (6-12 Months): **\$48.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 02/26/21)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:A

Value: A

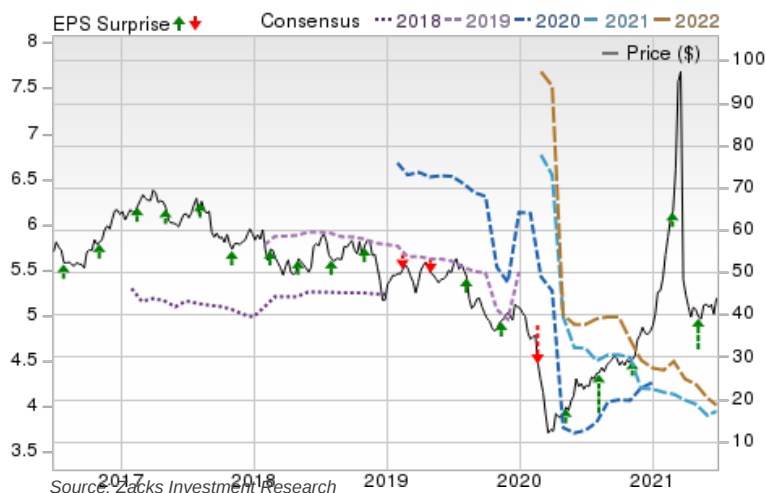
Growth: B

Momentum: B

Summary

ViacomCBS' solid cable network portfolio is a major growth driver. Growing traction of Showtime, BET, Comedy Central and Nickelodeon is expected to boost top-line growth. Higher Affiliate, domestic-streaming and digital-video revenues are major positives. Also, the addition of Pluto TV to ViacomCBS' portfolio of streaming services is a key catalyst. Moreover, slow yet recovering advertising revenues driven by higher streaming and political advertising sales is expected to aid the top-line. The launch of Paramount+, which features a massive content catalog of episodes, movie titles and live sporting events is expected to aid subscriber growth. However, competition in the streaming space from the likes of Netflix and Disney+ is an overhang. Also, a leveraged balance sheet is a concern. Shares have underperformed the industry year to date.

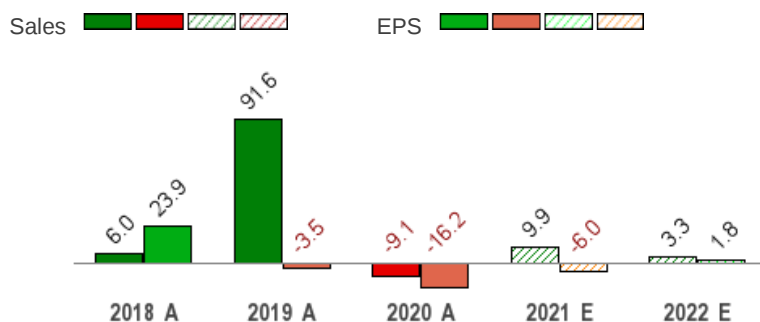
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$101.97 - \$21.67
20-Day Average Volume (Shares)	17,089,452
Market Cap	\$29.7 B
Year-To-Date Price Change	23.5%
Beta	1.65
Dividend / Dividend Yield	\$0.96 / 2.1%
Industry	Film and Television Production and Distribution
Zacks Industry Rank	Bottom 49% (127 out of 251)

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	7,250 E	6,781 E	6,883 E	7,763 E	28,696 E
2021	7,412 A	6,436 E	6,553 E	7,382 E	27,777 E
2020	6,669 A	6,275 A	6,116 A	6,874 A	25,285 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.25 E	\$1.03 E	\$0.85 E	\$0.78 E	\$4.02 E
2021	\$1.52 A	\$0.92 E	\$0.80 E	\$0.71 E	\$3.95 E
2020	\$1.13 A	\$1.25 A	\$0.91 A	\$1.04 A	\$4.20 A

*Quarterly figures may not add up to annual.

Last EPS Surprise	24.6%
Last Sales Surprise	-0.7%
EPS F1 Estimate 4-Week Change	0.1%
Expected Report Date	08/05/2021
Earnings ESP	7.2%
P/E TTM	9.8
P/E F1	11.7
PEG F1	1.2
P/S TTM	1.1

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/28/2021. The report's text and the

analyst-provided price target are as of 06/29/2021.

Overview

ViacomCBS emerged from the combination of erstwhile Viacom and CBS Corporation on Dec 4, 2019. This leading global media and entertainment company reported revenues of \$25.2 billion in 2020.

The New York-based company operates through three segments: TV Entertainment (42.4% of 2020 revenues), Cable Networks (49.9%) and Filmed Entertainment (10.1%).

TV Entertainment segment comprises Television Network, Studios and Distribution business; CBS Interactive; streaming services CBS All Access/Paramount+, CBSN, CBS Sports HQ and ET Live; CBS Sports Network; and CBS Television Stations consisting of 29 company-owned broadcast television stations. Advertising, content licensing and affiliate revenues were approximately 47%, 22% and 29.1%, respectively, of total segment revenues in 2020.

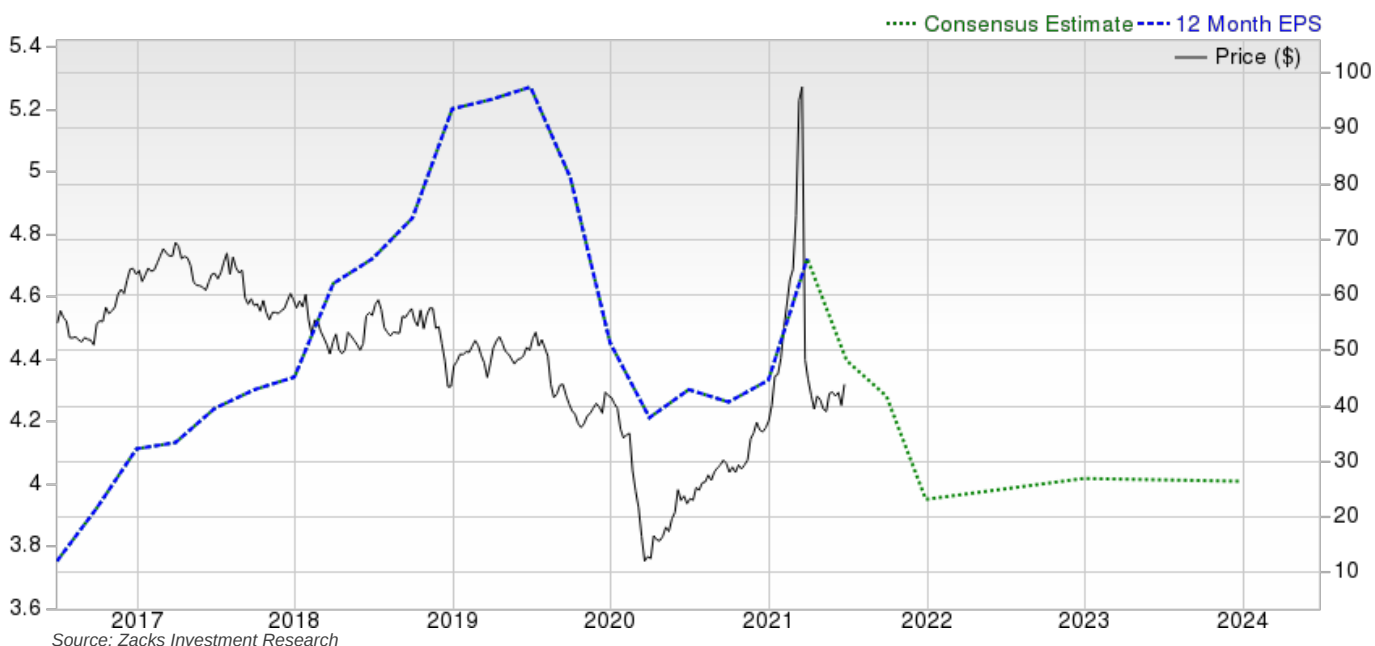
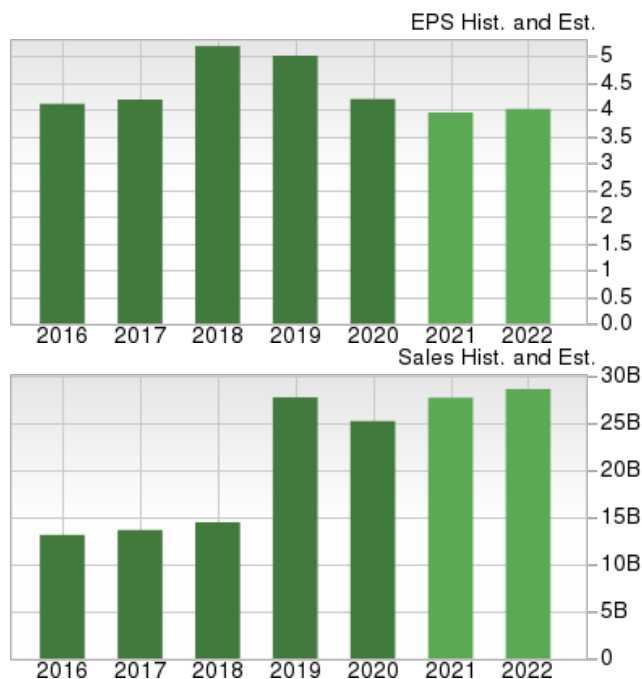
Cable Networks segment includes Showtime, The Movie Channel and Flix, as well as a subscription-based streaming offering of Showtime. Brands like Nickelodeon, MTV, BET, Comedy Central, Paramount Network, Nick Jr., VH1 and Smithsonian Channel are operated through this segment. International extension of these brands is operated by ViacomCBS Networks International (VCNI). It also includes Network 10, Channel 5 and Telefe; and Pluto TV, a leading free streaming TV platform in the United States. Affiliate, advertising and content licensing revenues were roughly 47.9%, 37.6% and 14.5, respectively, of total segment revenues in 2020.

Filmed Entertainment segment comprises Paramount Pictures, Paramount Players, Paramount Animation and Paramount Television Studios divisions. It partners on various projects with key ViacomCBS brands, including Nickelodeon Movies, MTV Films and BET Films. Licensing, home entertainment and theatrical revenues were approximately 62.1%, 27.6% and 10.3%, respectively, of total segment revenues in 2020.

On Nov 25, 2020 ViacomCBS announced that it has entered into a definitive agreement to sell its publishing business, Simon & Schuster to Penguin Random House LLC, a wholly owned subsidiary of Bertelsmann SE & Co. KGaA, for \$2.17 billion in cash.

As of Dec 31, 2020, National Amusements (NAI), directly or indirectly owned roughly 79.4% of ViacomCBS voting Class A shares, and approximately 10.2% of Class A and Class B shares on a combined basis.

ViacomCBS faces competition from the likes of Fox, Facebook and Google in advertising.



Reasons To Buy:

- ▲ ViacomCBS' solid cable network portfolio is a major growth driver. Showtime (including Showtime over-the-top service) continues to gain traction. Both CBS All Access and Showtime OTT witnessed significant growth in consumption and sign-ups in fourth-quarter 2020. Further, resurgence in popularity of MTV benefits the company. MTV's flagship programming event, the *MTV Video Music Awards*, in 2020 drew 6.4 million viewers across its live linear simulcast and 41.1 million interactions across social media, making it the second most-social show of the year.
- ▲ BET has also gained significant traction among African American audience. The launch of BET+, an online subscription video-on-demand (SVOD) service focused on black audiences and consumers of black culture, featuring more than 1,000 hours of advertising-free premium content, is expected to aid further penetration into black communities. Moreover, Comedy Central's *South Side* remains the network's highest-rated series premiere since 2012 among African-Americans aged 18-49. Higher investments in original content and focus on providing quality entertainment are expected to expand the audience base for brands like MTV, BET and Comedy Central.
- ▲ Moreover, Nickelodeon remains one of the most popular ad-supported basic cable networks among kids aged 2-11. Notably, in 2020, the company entered into a licensing partnership with global toy brand Melissa & Doug to deliver *PAW Patrol* and *Blue's Clues and You!* co-branded toys. Nickelodeon also licenses its brands for recreation and other location-based experiences such as hotels and theme parks and is involved in numerous live events such as the Kids' Choice Awards. Moreover, Noggin, Nickelodeon's preschool subscription-based streaming service features more than 1,000 full-length library episodes, interactive videos and short-form educational content and also has an Amazon prime video channel.
- ▲ ViacomCBS television stations are located in the six largest, and 15 of the top 20, television markets in the United States. The company owns multiple television stations within the same designated market area in 10 major markets including New York and Los Angeles. Moreover, ViacomCBS is expected to benefit from its deals with affiliates like Sinclair Broadcast Group, TEGNA, Nexstar, Meredith and Cox. Its multi-year agreement to provide CBS network affiliation for Sinclair stations in 13 markets will help the company reach approximately 5% of the U.S. audience and nearly 6 million television households. Moreover, TEGNA is the second-largest owner of CBS affiliates. Further, the company signed an expanded distribution agreement with Hulu + Live TV, to provide 14 additional cable networks to the latter's subscribers. These deals expand ViacomCBS' content offerings and boost user engagement levels, thereby attracting advertising dollars.
- ▲ ViacomCBS launched its highly anticipated streaming service, Paramount+, in the United States on March 4. Paramount+ features massive content catalog of more than 30,000 episodes, 2,500 movie titles and over 1,000 live sporting events. The acquisition of a 49% stake in Miramax boosts content portfolio. The deal gave ViacomCBS access to Miramax's impressive film library of more than 700 titles, which include 68 Oscars. Further, strong slate of 50 original series to premiere on Paramount+ over next two years, including *Halo*, *Frasier*, *Criminal Minds*, *iCarly*, *The Real World*, *Grease: Rise of the Pink Ladies*, shows from the *Avatar*, *Yellowstone*, *Star Trek* and *SpongeBob SquarePants* universes is a key catalyst. Moreover, Paramount Television Studios has been producing content for leading streaming platforms like Amazon, Netflix, Apple TV+ and Hulu.
- ▲ ViacomCBS' boasts of a solid portfolio of streaming services (both advertising and subscription-based offerings), including CBS All Access, Showtime OTT, Pluto TV, Noggin and BET+. The acquisition of Pluto TV is particularly noteworthy as it offers more than 250 live linear channels and thousands of hours of on-demand content. Pluto TV partners with more than 175 content providers including media houses, film and TV studios that actually help it to produce a variety of content. It currently has more than 30.1 million monthly active users. Moreover, Pluto TV expanded distribution in the United States and internationally with XBOX, Roku and Verizon and TiVo. Driven by solid content, the free ad-supported service is expected to attract advertisers and provide target-based ads, thereby driving ViacomCBS' advertising revenues.

Solid cable network, television station and streaming service portfolio are key catalysts. Availability of Paramount+ in 2021 is a major positive.

Reasons To Sell:

- ▼ Internal dynamics of the U.S. pay-TV industry has been gradually shifting from cable TV operators to large telecom operators and low-cost over-the-top service providers. Online video streaming service providers such as Netflix, Hulu, YouTube etc., have become a severe threat to cable TV operators because of their extremely cheap source of TV programming and solid content. Declining audience ratings for cable networks doesn't bode well for ViacomCBS' advertising business.
- ▼ Moreover, film revenues took a hit in 2020 due to the closure of movie theaters globally amid the coronavirus pandemic. Theatrical revenues of \$180 million dipped 67% year over year. It has also experienced production delays in television and film programming. This is expected to negatively impact content-licensing revenues in the near term.
- ▼ ViacomCBS' endeavor to expand its presence in the streaming market faces tough competition from the likes of Netflix, Amazon prime video and Disney+. Netflix enjoys a first-mover advantage in the streaming market and its solid original programming portfolio is a major differentiator. Amazon is also catching up and Apple TV+ is hard to ignore. With the entrance of HBO Max and Comcast's Peacock, the competition is likely to get stiffer. Hence, continued heavy investments in streaming services are likely to hurt ViacomCBS' profitability.
- ▼ ViacomCBS faces significant integration risks. Moreover, the balance sheet is not healthy due to significant leverage. Notably, asset quality is also not good due to high levels of goodwill and net intangible assets, which totaled \$19.4 billion or 36.8% of total assets, as of Dec 31, 2020.
- ▼ ViacomCBS' total debt as of Mar 31, 2021 was \$17.7 billion, which compares unfavorably with cash and cash equivalents of \$5.4 billion as on Mar 31, 2021. ViacomCBS had committed \$3.5 billion revolving credit facility that remains undrawn. Nevertheless, the leveraged balance sheet amid the backdrop of a prolonged recessionary macro-environment is a major concern.

Sluggish advertising revenues due to coronavirus outbreak, postponement of sporting events, accelerated investments in highly competitive streaming services and leveraged balance sheets are headwinds.

Last Earnings Report

ViacomCBS Q1 Earnings Top Estimates, Revenues Rise Y/Y

ViacomCBS' first-quarter 2021 adjusted earnings of \$1.52 per share beat the Zacks Consensus Estimate by 24.5%. The bottom line increased 36% year over year.

Revenues of \$7.4 billion missed the Zacks Consensus Estimate by 0.65% but increased 14% year over year.

Adjusted OIBDA increased 31% from the year-ago quarter to \$1.6 billion.

Selling, general and administrative expenses increased 9.6% year over year to \$1.4 billion.

Revenues by Type

Advertising revenues of \$2.7 billion increased 21% year over year, driven by CBS' broadcasts of Super Bowl LV and NCAA Tournament games.

Affiliate revenues of \$2.07 billion climbed 5% year over year driven by higher reverse compensation and retransmission fees, as well as expanded distribution.

Global streaming & digital video revenues increased 65% year over year to \$816 million, driven by 69% growth in streaming subscription revenues and 62% streaming advertising revenue growth.

Global streaming subscribers totaled 36 million, up 63.2% year over year. Subscriber additions in the quarter were led by the launch of Paramount+ streaming services in the United States.

SHOWTIME OTT delivered its best quarter ever in sign-ups, streams and hours watched, driven by originals, including Your Honor and Shameless, as well as theatricals.

Pluto TV's total global MAUs reached 49.5 million. Pluto TV international expansion continued, with its launch in France in first-quarter 2021.

Meanwhile, content-licensing revenues of \$1.8 billion increased 11% year over year. Theatrical revenues of this Zacks Rank #4 (Sell) company declined 99% year over year to \$1 million in the reported quarter due to the closure or reduction in capacity of movie theaters in response to coronavirus.

Segment Details

ViacomCBS' TV Entertainment revenues increased 19% year over year to \$3.5 billion, which benefited from strong affiliate revenue growth, offset by lower content licensing revenues. Moreover, CBS' broadcasts of tentpole sporting events and subscriber growth at Paramount+ aided growth.

TV Entertainment's adjusted OIBDA decreased 22% from the year-ago quarter to \$449 million due to increased investment in Paramount+ streaming services.

Cable Networks revenues of ViacomCBS increased 14% year over year to \$3.3 billion driven by growth in licensing, as well as higher streaming advertising and streaming subscription revenues.

In the first quarter, ViacomCBS owned most of the top 30 cable networks popular among viewers in the 18-49 years age group. Showtime also had two of the top four scripted shows on premium cable in the quarter.

Cable Networks' adjusted OIBDA moved up 49% from the year-ago quarter to \$1.18 billion, as a result of the increase in revenues.

Meanwhile, Filmed Entertainment revenues increased 23% year over year to \$997 million, reflecting growth in licensing revenues, partially offset by a decline in theatrical revenues.

Licensing revenues increased 55% year over year to \$996 million attributed to higher revenues from the licensing of programming to Paramount+ and third parties, as well as revenues from the licensing of Miramax titles.

Adjusted OIBDA was \$204 million, which increased \$177 million year over year primarily due to higher licensing revenues.

Balance Sheet

As of Mar 31, 2021, ViacomCBS had cash and cash equivalents of \$5.49 billion compared with \$2.98 billion as of Dec 31, 2020. ViacomCBS had committed \$3.5 billion revolving credit facility that remains undrawn.

In March, ViacomCBS completed the early redemption of senior notes maturing in 2022 and 2023 for a total of \$2 billion.

Quarter Ending	03/2021
Report Date	May 06, 2021
Sales Surprise	-0.65%
EPS Surprise	24.59%
Quarterly EPS	1.52
Annual EPS (TTM)	4.72

Total debt as of Mar 31, 2021 was \$17.7 billion compared with \$19.73 billion as of Dec 31, 2020.

Cash flow provided by operating activities was \$1.6 billion compared with \$399 million used in the previous quarter and \$357 million provided in the year-ago quarter.

Free cash flow was \$1.5 billion against negative free cash flow \$453 million in the previous quarter and free cash flow of \$306 million in the year-ago quarter.

Q1 Developments

On Jan 14, 2021 ViacomCBS announced that the company delivered the first-ever addressable impressions within a live national broadcast via MVPD set-top box. This was in partnership with DISH Network owned DISH Media.

Moreover, the company entered into a new multi-year deal with Sinclair Broadcast Group to add 13 CBS network affiliations for Sinclair stations.

Further, ViacomCBS entered into a new distribution agreement that adds more content from ViacomCBS' leading portfolio of news, entertainment and sports networks to Disney owned Hulu's live TV subscription streaming service, Hulu + Live TV.

Recent News

On Jun 23, ViacomCBS announced a new leadership structure for its global streaming services to reinforce the right mix of content and build upon its global content strategy across its platforms. Tanya Giles has been appointed as chief programming officer, Streaming.

On Jun 7, ViacomCBS owned Paramount+ streaming service announced that it will significantly expand its content offering this summer, starting with the exclusive premiere of the sci-fi action film *Infinite* and introduction of more than 1,000 premium movies starting Jun 10.

On Jun 3, ViacomCBS' division CBS Sports announced a multi-platform agreement with the Asian Football Confederation (AFC) for Paramount+, to serve as the exclusive home of AFC's world-class competitions including the AFC Asian Qualifiers – Road to Qatar Final Round, AFC Champions League, AFC Women's Asian Cup 2022 and AFC Asian Cup China 2023 in the United States.

On May 26, ViacomCBS declared a quarterly cash dividend of 24 cents per share on both its Class A and Class B common stock. The dividend will be paid out on Jul 1, 2021 to stockholders of record at the close of business on Jun 15, 2021.

On Apr 5, ViacomCBS' division ViacomCBS Networks International (VCNI) announced that it will acquire Chilevisión from WarnerMedia. The deal will strengthen and expand VCNI's presence in the Southern Cone of Latin America by creating an aligned commercial, content and distribution strategy.

Valuation

Viacom shares are up 23.4% in the year-to-date period and 97.3% over the trailing 12-month period. Stocks in the Zacks sub-industry are up 22% while the same in the Zacks Consumer Discretionary sector are up 12.2% in the year-to-date period. Over the past year, the Zacks sub-industry and the sector is up 58.3% and 51.1%, respectively.

The S&P 500 Index is up 15% in the year-to-date period and 40.8% in the past year.

The stock is currently trading at 1X forward 12-month sales, which compares to 1.57X for the Zacks sub-industry, 2.72X for the Zacks sector and 4.76X for the S&P 500 index.

Over the past five years, the stock has traded as high as 2.33X and as low as 0.23X, with a 5-year median of 1.28X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$48 price target reflects 1.05X forward 12-month sales.

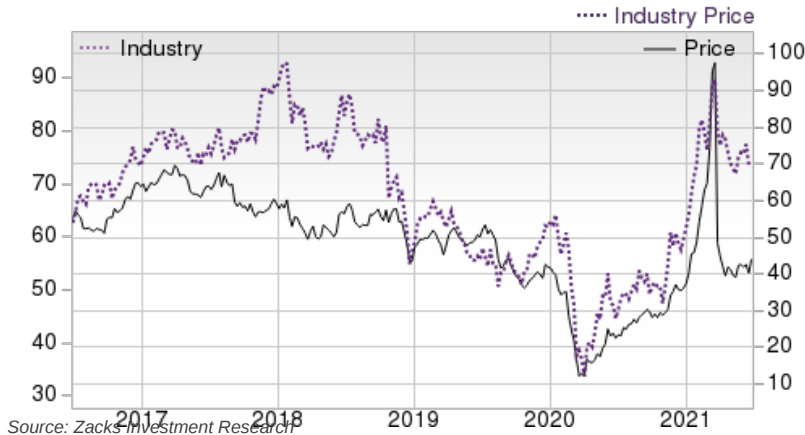
The table below shows summary valuation data for VIAC

Valuation Multiples - VIAC					
		Stock	Sub-Industry	Sector	S&P 500
P/S F12M	Current	1	1.57	2.72	4.76
	5-Year High	2.33	2.13	2.72	4.76
	5-Year Low	0.23	0.55	1.56	3.21
	5-Year Median	1.28	1.57	2.26	3.72
EV/Sales TTM	Current	1.55	1.73	4.99	4.93
	5-Year High	3.11	2.6	4.99	4.93
	5-Year Low	0.61	0.86	2.6	2.65
	5-Year Median	1.36	1.45	3.92	3.64
EV/EBITDA TTM	Current	2.48	3.71	18.81	17.63
	5-Year High	12.12	11.66	20.68	17.74
	5-Year Low	1.51	1.89	9.43	9.63
	5-Year Median	7.13	7.13	14.17	13.48

As of 06/28/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 49% (127 out of 251)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Outperform	2
News Corporation (NWSA)	Outperform	2
Comcast Corporation (CMCSA)	Neutral	3
The Walt Disney Company (DIS)	Neutral	3
IMAX Corporation (IMAX)	Neutral	3
iQIYI, Inc. Sponsored ADR (IQ)	Neutral	3
Lions Gate Entertainment Corp. (LGF.A)	Neutral	3
Netflix, Inc. (NFLX)	Neutral	2

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

Industry Comparison Industry: Film And Television Production And Distribution				Industry Peers		
	VIAC	X Industry	S&P 500	CMCSA	DIS	IMAX
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	4	-	-	3	3	3
VGM Score	A	-	-	A	D	F
Market Cap	29.73 B	2.72 B	30.38 B	256.97 B	320.82 B	1.32 B
# of Analysts	13	3	12	16	14	5
Dividend Yield	2.09%	0.00%	1.34%	1.78%	0.00%	0.00%
Value Score	A	-	-	B	D	F
Cash/Price	0.19	0.12	0.06	0.06	0.05	0.20
EV/EBITDA	2.68	2.83	17.31	10.90	35.42	-15.38
PEG F1	1.14	1.21	2.10	1.33	3.71	NA
P/B	1.50	2.76	4.06	2.73	3.57	3.04
P/CF	2.02	9.61	17.45	10.22	22.76	NA
P/E F1	11.42	30.94	21.17	18.74	77.71	NA
P/S TTM	1.11	1.63	3.39	2.47	5.50	9.38
Earnings Yield	8.59%	1.83%	4.62%	5.33%	1.29%	-2.07%
Debt/Equity	0.90	0.90	0.66	1.11	0.57	0.00
Cash Flow (\$/share)	22.80	1.12	6.86	5.49	7.76	-1.34
Growth Score	B	-	-	B	B	C
Historical EPS Growth (3-5 Years)	2.85%	2.85%	9.59%	13.95%	-24.36%	2.90%
Projected EPS Growth (F1/F0)	-6.01%	32.11%	21.79%	14.70%	12.48%	75.56%
Current Cash Flow Growth	-12.51%	-16.79%	1.02%	-8.10%	-1.67%	-171.31%
Historical Cash Flow Growth (3-5 Years)	50.00%	6.71%	7.34%	8.34%	4.66%	NA
Current Ratio	1.78	1.32	1.39	0.96	1.23	1.16
Debt/Capital	47.24%	47.24%	41.51%	52.65%	40.18%	0.17%
Net Margin	10.56%	-0.59%	12.06%	11.25%	-7.73%	-77.57%
Return on Equity	17.88%	3.26%	16.59%	13.75%	2.07%	-25.42%
Sales/Assets	0.51	0.55	0.51	0.38	0.29	0.14
Projected Sales Growth (F1/F0)	7.10%	4.11%	9.56%	9.02%	3.44%	69.10%
Momentum Score	B	-	-	A	D	F
Daily Price Change	4.97%	0.00%	0.23%	-0.57%	-1.00%	-2.24%
1-Week Price Change	9.47%	4.47%	1.56%	-0.51%	3.44%	5.47%
4-Week Price Change	8.44%	6.07%	2.06%	-2.16%	-1.16%	3.01%
12-Week Price Change	7.23%	5.78%	5.22%	2.37%	-6.33%	1.60%
52-Week Price Change	99.57%	99.57%	40.53%	44.07%	58.33%	100.00%
20-Day Average Volume (Shares)	17,089,452	678,776	1,986,546	14,971,381	7,629,793	762,681
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.13%	-0.22%	0.00%
EPS F1 Estimate 4-Week Change	0.07%	0.00%	0.00%	0.13%	-0.22%	0.00%

Past performance is no guarantee of future results. Please see important disclosures and definitions at the end of this report.

EPS F1 Estimate 12-Week Change	-3.01%	-0.30%	3.61%	5.69%	8.95%	-49.51%
EPS Q1 Estimate Monthly Change	0.66%	0.00%	0.00%	0.22%	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	A
Growth Score	B
Momentum Score	B
VGM Score	A

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

Disclosures

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Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

proportionate to its market value.

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-

term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

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

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

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

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

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