

Walgreens Boots (WBA)

\$39.86 (As of 11/17/20)

Price Target (6-12 Months): **\$42.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/27/20)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:A

Value: A

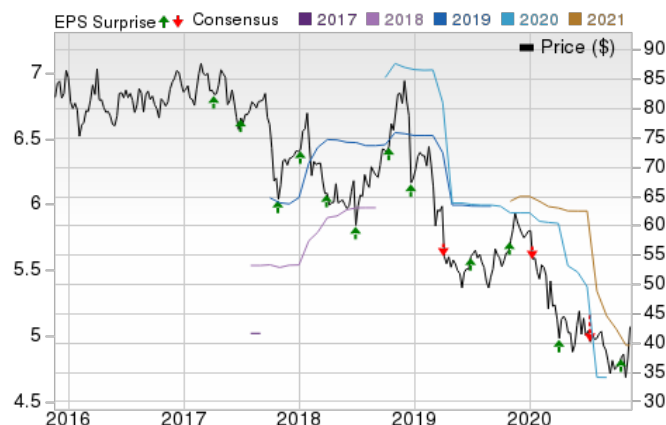
Growth: B

Momentum: B

Summary

Over the past year, Walgreens Boots has underperformed the industry it belongs to. Year-over-year fall in adjusted earnings is concerning. Choppy market conditions, mainly in retail, have been inducing sluggishness in the Retail Pharmacy International arm. Margin pressure is a major concern. The company's outlook of a lower growth of its earnings and a leveraged balance sheet are also deterring. Tough market conditions, particularly in retail, and stiff competition are other headwinds. Yet, impressive performance by the other two segments buoys optimism. Robust sales of Boots.com and Walgreens.com instill investor confidence. Walgreens Boots' response toward combatting the pandemic is impressive. Notably, Walgreens Boots exited fourth-quarter fiscal 2020 with better-than-expected results.

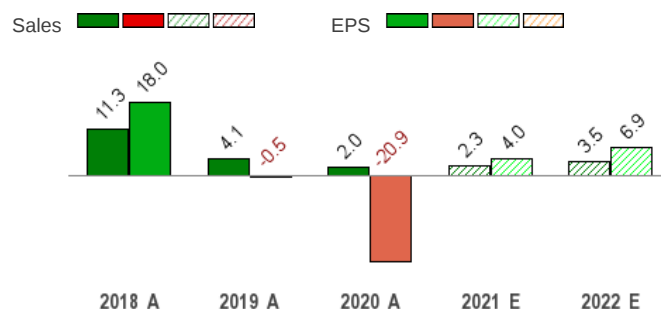
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$62.38 - \$33.36
20-Day Average Volume (Shares)	8,570,943
Market Cap	\$34.5 B
Year-To-Date Price Change	-32.4%
Beta	0.45
Dividend / Dividend Yield	\$1.87 / 4.7%
Industry	Retail - Pharmacies and Drug Stores
Zacks Industry Rank	Bottom 48% (133 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.3%
Last Sales Surprise	1.1%
EPS F1 Estimate 4-Week Change	-0.3%
Expected Report Date	01/13/2021
Earnings ESP	-2.0%
P/E TTM	8.4
P/E F1	8.1
PEG F1	1.6
P/S TTM	0.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	36,463 E	37,723 E	37,651 E	37,551 E	147,752 E
2021	34,886 E	36,209 E	36,034 E	35,863 E	142,789 E
2020	34,339 A	35,820 A	34,631 A	34,746 A	139,537 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.13 E	\$1.44 E	\$1.21 E	\$1.31 E	\$5.27 E
2021	\$1.07 E	\$1.33 E	\$1.26 E	\$1.29 E	\$4.93 E
2020	\$1.37 A	\$1.52 A	\$0.83 A	\$1.02 A	\$4.74 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 11/17/2020. The reports text is as of 11/18/2020.

Overview

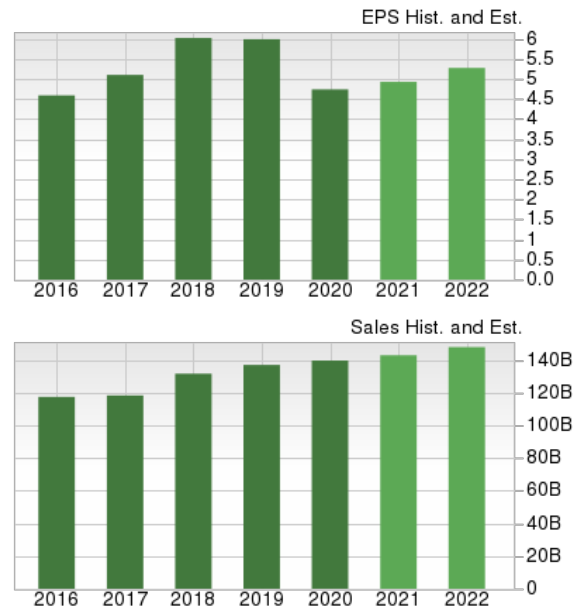
Founded in December 2014, Walgreens Boots Alliance (WBA) is the world's first pharmacy-led, health and wellbeing enterprise. The company has been formed through the combination of Walgreens Co. (WAG) and Alliance Boots. The merger brought together two leading companies with iconic brands, complementary geographic footprints, shared values, and trusted health care services through pharmaceutical wholesaling and community pharmacy care.

The company includes the largest global pharmaceutical wholesaler and distribution network with over 390 distribution centers delivering to more than 230,000 pharmacies, doctors, health centers and hospitals every year across 20 countries. In addition, Walgreens Boots Alliance is the world's largest purchaser of prescription drugs and several other health and wellbeing products. Its portfolio of retail and business brands includes Walgreens, Duane Reade, Boots and Alliance Healthcare, as well as global health and popular beauty product brands such as No7, Botanics, Liz Earle and Soap & Glory.

Segments in Detail

Historically, the legacy Walgreens used to report as one segment, which comprised the performance of Walgreens in the U.S.; its corporate costs and synergies from the Walgreens Boots Alliance Development joint venture, also known as WBAD; and equity earnings from Alliance Boots on a three-month lag. Following the combination of Alliance Boots and the legacy Walgreens, Walgreens Boots eliminated the three-month reporting lag and recast prior period results with no lag.

As Walgreens Boots, management now reports results in three segments: **Retail Pharmacy USA** (77.2% of total revenues in fiscal 2020, up 3% from fiscal 2019), **Retail Pharmacy International** (7.2%, down 12.7%), and **Pharmaceutical Wholesale** (accounting for the rest, up 3.9%).



Source: Zacks Investment Research

Reasons To Buy:

- ▲ **New Alliances Look Strategic:** The intensifying competition in the U.S. retail drugstore market has compelled Walgreens Boots to diversify its product offerings. Under such circumstances, Walgreens' tie-up with Alphabet's life sciences and healthcare segment Verily on multiple projects on chronic ailment buoy optimism. The partnership aims at providing advanced healthcare outcomes to chronic conditions like diabetes at low cost of care.

During fiscal fourth quarter, Walgreens collaborated with DoorDash, a renowned last-mile logistics platform, to offer on-demand delivery to customers in select cities with plans to expand to markets throughout the country.

Walgreens Boots also confirmed that the partnership with Kroger (entered into in December 2019) is progressing well with positive results from Kroger Express and the continued development of a group purchasing organization.

Walgreens Boots' collaboration with VillageMD (in fiscal third quarter) has expanded Walgreens Boots' primary care clinics. Per the terms of the collaboration, 500 to 700 "Village Medical at Walgreens" physician-led primary care clinics will be opened in more than 30 markets over the next five years, with more to come later.

Walgreens Boots' partnership with Microsoft and Adobe to launch a world-class modern technology and customer data resource, is progressing well. The company is now on track to rollout the next elements of this customers facing initiative.

In retail, Walgreens Boots upgraded its electronic accessory offerings to focus on the high-quality brands that customers are seeking, including agreement with Apple to sell their branded accessories. Further, Boots UK's partnership with LIVI (entered in the second quarter of fiscal 2020), buoys optimism.

- ▲ **Product Launches:** Walgreens Boots has launched a slew of products during this fiscal. Online new product launches included popular beauty brands such as MAC and NARS. Further, the company is investing in its leading No7 beauty brand with new counters and fixtures in approximately 300 stores, with plans to extend to a third of its stores by February-end.

In October, the company launched Find Rx Coverage Advisor, which is a new resource providing personalized guidance to customers seeking information on available health and prescription drug coverage options. The Find Care Platform, which connects patients to Telehealth providers, has also grown significantly since the beginning of the pandemic.

Further, Walgreens Boots is currently planning to relaunch its customer-loyalty program as myWalgreens. This is expected to create a much more engaging health-orientated relationship.

- ▲ **Express Script Deal Looks Promising:** In a bid to ensure availability of specialty brand drugs, Walgreens Boots tied up with Express Scripts and announced plans to expand their existing group purchasing efforts. Since biosimilars have the potential to lower production costs, the move is considered to be a prudent and timely one. Specialty medication includes costly and complex drugs and is prescribed on a regular basis. The latest pact is expected to improve Express Scripts' supply chain and make these medicines, including biosimilars, affordable and accessible to patients.

Per a study by Markets And Markets, the global biosimilars market size is expected to grow from \$35.7 billion by 2025 from \$11.8 billion in 2020 at a CAGR of 24.7%. Regulatory efforts to reduce healthcare costs are likely to aid this growth. Given the potential that the market holds, we believe the latest move by these two medical behemoths is a strategic and timely one.

- ▲ **Pharmaceutical Wholesale Division Registers Robust Growth:** The company witnessed consistent solid performance from this segment. The segment's quarterly sales were \$6 billion, up 4.3% year over year. Sales were up 4.3% at CER on growth in Germany and France.

Walgreens Boots revised Rite Aid deal is expected to benefit the company more over the long run. The company's strong cash balance position and progress in cost cutting initiatives further boost our confidence in the stock.

Reasons To Sell:

▼ **Share Price Fall:** Over the past year, the company has underperformed the industry it belongs to. The stock has lost 28.3% compared to the industry's 15.6% decline. The year-over-year decline in adjusted earnings is concerning. Challenging market conditions, particularly in retail, have been inducing sluggishness in the Retail Pharmacy International division. The dismal Boots UK comparable retail sales, due to a lower store footfall, dragged down the Retail Pharmacy International segment's overall revenues. During fiscal 2020, this segment recorded 80% of the reduced sales impact due to the pandemic.

Margin pressure is a major concern for the stock. Walgreens Boots' guidance lacks luster as it expects a lower growth of its adjusted EPS for fiscal 2021.

▼ **Depressed Full-year Guidance:** Walgreens Boots ended the fiscal registering growing demand for Retail Pharmacy & Pharmaceutical Wholesale products. Nonetheless, the company is uncertain about the scope of evolution of the pandemic till now. The company expects a sluggish low single-digits earnings per share growth for fiscal 2021 at constant exchange rate or CER. Further, despite witnessing a recovery in its segmental business and store footfalls during the fourth quarter of fiscal 2020, the company is uncertain about the challenges in its path for the full year. Walgreens Boots anticipates that the first half of fiscal 2021 will continue to be adversely impacted due to the pandemic, with the impacts gradually subsiding during the second half.

▼ **Retail Pharmacy International Business Soft:** Over the recent quarters, Walgreens Boots Retail Pharmacy International division remained soft. Revenues at the Retail Pharmacy International division declined 14.9% on a year-over-year basis to \$2.3 billion in the fiscal fourth quarter. Sales were down 26.2% at CER due to a 16.7% fall in Boots U.K. sales, resulting from pandemic-led severe disruption in foot traffic at stores.

Boots UK's comparable retail sales declined 29.2% at CER as footfall in stores remained significantly depressed due to COVID-19, particularly in major high-street, train station and airport locations.

▼ **Pressure on Margin Continues:** In the last few years, slowdown in generic introduction has been affecting Walgreens Boots' margins. In addition, of late, increased reimbursement pressure and generic drug cost inflation have been hampering Walgreens' margin on a significant level.

In the fiscal 2020 fourth quarter, there were additional impacts due to the ongoing pandemic. Gross profit in the reported quarter fell 5.9% year over year. Gross margin contracted 171 basis points (bps) to 19.6%. The company estimates that the results include COVID-19-related margin impacts of approximately 50 basis points, mostly due to continued adverse product mix and higher supply-chain costs. The remaining margin variation resulted from the ongoing pharmacy reimbursement pressure and the impact of specialty mix of around 60 basis points.

Selling, general and administrative (SG&A) expenses were down 3.1% year over year. Operating profit in the quarter was down 27.6% year-over-year. Operating margin contracted 71 bps year over year to 1.7%. The fiscal fourth-quarter reported and adjusted figures include estimated operational impacts of 43 cents and 46 cents per share due to COVID-19.

▼ **Leveraged Balance Sheet with Heavy Payout Load:** Walgreens Boots exited the fiscal fourth quarter with cash and cash equivalents of \$516 million compared with the \$768 million recorded at the end of the fiscal third quarter. Meanwhile, the company's high level of debt on the balance sheet has pretty much to worry about, especially during the time when the coronavirus mayhem has forced the corporate sector halt their production and supply.

Total debt came up to \$15.74 billion, a slight sequential decline from \$16.49 billion at the end of the fiscal third quarter. While, the quarter's total debt was much higher than the corresponding cash and cash equivalent level, the current-year payable debt too is coming at \$3.54 billion (third quarter's current debt level was \$4.38 billion), much more than the short-term cash level. This is particularly worrisome in terms of the company's solvency level as, during the year of economic downturn, the company is not holding sufficient cash for short-term debt repayment.

The quarter's total debt-to-capital of 36.6% indicates a moderately leveraged balance sheet. Moreover, it represents a sequential increase from 36.2% at the end of the fiscal third quarter. The overall data concludes that with respect to both solvency and the leverage level, the company's balance sheet looks disappointing.

The times interest earned for the company stands at 2.2%, representing a sequential decline from 2.4% at the end of the fiscal third quarter.

Walgreens Boots' capital deployment policy is based on the return of shareholders' money through dividends and share buybacks. In the fiscal fourth quarter, the company declared a quarterly dividend of 46.75 cents per share, representing an increase of 2.2% and raising the annual rate from \$1.83 per share to \$1.87 per share. The current payout ratio stands at a moderately high level of 38.8%, representing a sequential increase from 35.5% from the end of the fiscal third quarter. Amid the pandemic-led economic crisis, if production and supply halt along with lockdowns continue through the next few months, the company might find paying its regular quarterly dividends to be a burden.

▼ **Competitive Landscape:** Walgreens Boots faces headwinds in the form of increased competition and tough industry conditions. Even though the company continues to grab market share from other traditional drug store retailers, major mass merchants such as Target and Wal-Mart are expanding their pharmacy businesses and enjoying a fair market share. Notably, the retail wing of CVS Caremark witnessed a record market share gain following the termination of the Walgreens-Express Scripts contract.

Ongoing generic drug inflation, reimbursement pressure and competitive market offer tough challenges for Walgreens Boots. Also, the fluctuating weak U.S. macroeconomic environment still prevailing might hamper the company's margin.

While Walgreens Boots' dull performance is showing signs of improvement with the return of customers, CVS management's commentary of retaining a majority of the client wins raises our concern. There are also risks from other channels, such as supermarkets and mail order operations. In addition, industry conditions remain challenging, as insurers reduce reimbursement rates and increase prescription co-payments.

- ▼ **Additional Challenges:** Under the present weak macroeconomic environment, external factors on which the company has no control whatsoever, might affect consumer confidence as increasing costs coupled with unemployment makes customers more value-driven. Consequently, spending on discretionary items gets affected. We believe this situation will impact same store sales growth.

The business operations have been adversely affected by challenging market conditions in the Retail Pharmacy International division, particularly the Boots business in the U.K. This was primarily on account of the economic environment and the uncertainty associated with Brexit. Additionally, reduced or flat consumer spending may drive Walgreens Boots and its competitors to offer additional products at promotional prices.

- ▼ **Shift in Pharmacy Mix Might Hamper Operational Results:** A shift in the mix of pharmacy prescription volume toward programs offering lower reimbursement rates might adversely affect Walgreens Boots' results of operations. The company's 90-day at retail offering for patients with chronic prescription needs typically is at a lower margin than comparable 30-day prescriptions.

Additionally, management has accepted lower reimbursement rates in order to secure preferred relationships with Medicare Part D plans serving senior patients with significant pharmacy needs. If Walgreens Boots fails to generate additional prescription volume and other business from patients participating in these programs that is sufficient to offset the impact of lower reimbursement, it might adversely affect the company's results of operations.

Last Earnings Report

Walgreens Boots Q4 Earnings Top Estimates, Margins Down

Walgreens Boots reported adjusted earnings per share of \$1.02 for fourth-quarter fiscal 2020, down 28.7% year over year (down 27.9% at CER). However, the figure surpassed the Zacks Consensus Estimate by 6.3%.

The adjusted earnings per share reflects an adverse impact of approximately 46 cents due to the pandemic. Also, lower U.S. pharmacy gross profit and year-on-year bonus changes dragged down earnings. However, this was partially made up for by Transformational Cost Management Program savings.

GAAP earnings per share for the fourth quarter was 43 cents, reflecting a fall of 42.7% from the year-ago EPS of 75 cents.

Full-year adjusted earnings per share was \$4.74, reflecting a 20.9% decline from the year-earlier \$5.99. At CER, the fall was 20.6%. Again, the metric surpassed the Zacks Consensus Estimate by 1.3%.

Full-year GAAP earnings per share was 52 cents, reflecting an 87.9% decline from the year-earlier \$4.31.

Quarter Ending	08/2020
Report Date	Oct 15, 2020
Sales Surprise	1.08%
EPS Surprise	6.25%
Quarterly EPS	1.02
Annual EPS (TTM)	4.74

Total Sales

Walgreens Boots recorded total sales of \$34.75 billion in the fiscal fourth quarter, up 2.3% year over year and at CER. The top-line figure exceeded the Zacks Consensus by 1.1%.

Full-year revenues were \$139.54 billion, reflecting a 1.9% increase from the year-ago period (up 2.5% at CER). Revenues surpassed the Zacks Consensus Estimate by 0.3%.

The company stated that despite the pandemic-led business challenges, gradual improvement in key U.S. and U.K. markets has been observed. Also, continued strong performance in the wholesale business and accelerated growth in the e-commerce platforms boosted the top line.

Segments in Detail

Walgreens Boots reports through three segments — Retail Pharmacy USA, Retail Pharmacy International and Pharmaceutical Wholesale.

Retail Pharmacy USA

The segment's sales totaled \$27 billion in the fiscal fourth quarter, highlighting an improvement of 3.6% year over year.

Sales in comparable stores increased 3.6% from the year-ago quarter.

Prescriptions filled in the fourth quarter rose 1.6% year over year. In comparable stores, prescriptions filled (adjusted to 30-day equivalents) increased 3.6% from the year-ago quarter.

Pharmacy sales were up 4.2% from the year-ago quarter. Comparable pharmacy sales improved 3.2% year over year.

Retail sales edged up 1.5% (including the impact of the store optimization programs).

Comparable retail sales inched up 4.7%, year on year, primarily banking on 15% growth in the health and wellness category and 8% growth in the personal care category. However, this was partly offset by a 3% fall in the beauty category. Results were boosted by increased demand for PPE and performance of the mass personalization initiative. In the reported quarter, Walgreens.com sales improved 39%.

Retail Pharmacy International

Revenues at the Retail Pharmacy International division declined 14.9% on a year-over-year basis to \$2.3 billion in the fiscal fourth quarter. This included a favorable currency impact of 0.5%. Sales were down 15.4% at CER due to a 16.7% fall in Boots U.K. sales.

Boots UK's comparable retail sales declined 29.2% at CER as footfall in stores remained significantly depressed due to COVID-19, particularly in major high street, train station and airport locations. However, there was a steady improvement in footfall in the fourth quarter compared with the third quarter.

Boots UK's comparable pharmacy sales inched up 0.4% at CER, mainly due to favorable timing on National Health Service reimbursement. This mitigated the impact of lower prescription volume and reduced demand for pharmacy services during the pandemic.

Pharmaceutical Wholesale

The division's quarterly sales were \$6 billion, up 4.3% year over year. Sales were up 4.3% at CER on growth in Germany and France.

Margins

Gross profit in the reported quarter fell 5.9% year over year to \$6.80 billion. Gross margin contracted 171 basis points (bps) to 19.6%.

SG&A expenses were down 3.1% year over year to \$6.21 billion.

Operating profit in the quarter was \$593 million compared with operating income of \$819 million a year ago, reflecting a plunge of 27.6%.

Operating margin contracted 71 bps year over year to 1.7%.

Financial Condition

Walgreens Boots exited fiscal 2020 with cash and cash equivalents of \$516 million compared with the \$1.02 billion recorded at the end of fiscal 2019. Long-term debt was \$12.20 billion at the end of fiscal 2020, up from \$11.09 billion at the end of fiscal 2019.

Net cash provided by operating activities at the end of the year was \$5.48 billion, down from the year-ago period's \$5.59 billion.

The company declared a quarterly dividend of 46.75 cents per share, reflecting an increase of 2.2%. This marked the 45th consecutive year of Walgreens Boots and its predecessor company, Walgreen Co., raising the dividend.

Fiscal 2021 Guidance Issued

Walgreens Boots estimates adjusted earnings per share at CER in fiscal 2021 to reflect low single-digit growth.

Although the company expects a gradual recovery from the impacts of COVID-19, the first half of the fiscal will continue to be adversely impacted. The company anticipates the second half of fiscal 2021 to reflect strong adjusted earnings per share growth as the impacts subside and recovery plans take effect in key markets.

Valuation

Walgreens shares are down 25.2% in the year-to-date period and down 28.3% in the trailing 12-month periods. Stocks in the Zacks sub-industry are down 20.3% while the Zacks Medical sector is up 36.8% in the year-to-date period. Over the past year, the Zacks sub-industry is down 18.1% while sector is up 41.4%.

The S&P 500 index is up 12.5% in the year-to-date period and rose 16.2% in the past year.

The stock is currently trading at 8.8X Forward 12-months earnings, which compares to 8.1X for the Zacks sub-industry, 32.1X for the Zacks sector and 22.3X for the S&P 500 index.

Over the past five years, the stock has traded as high as 18.8X and as low as 6.6X, with a 5-year median 11.4X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$42 price target reflects 9.3X forward 12-months earnings.

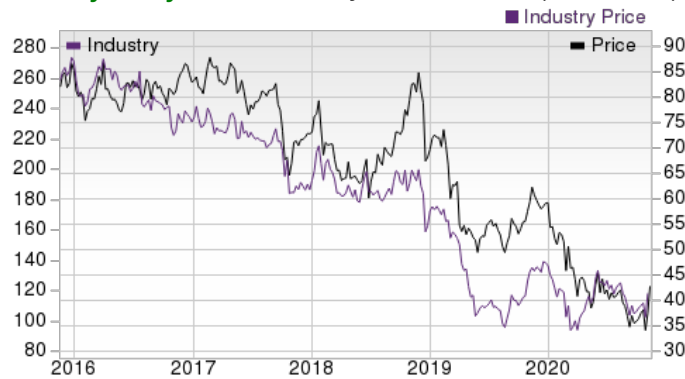
The table below shows summary valuation data for WBA

Valuation Multiples -WBA					
		Stock	Sub-Industry	Sector	S&P 500
P/E F 12M	Current	8.82	8.70	31.03	22.69
	5-Year High	18.84	17.36	34.05	23.47
	5-Year Low	6.59	7.40	19.09	15.27
	5-Year Median	11.37	11.08	23.60	17.72
P/S F12M	Current	0.27	0.26	1.28	4.23
	5-Year High	0.77	0.63	1.33	4.30
	5-Year Low	0.20	0.22	0.84	3.17
	5-Year Median	0.52	0.40	1.01	3.67
P/B TTM	Current	1.81	1.18	5.21	6.13
	5-Year High	3.19	3.01	6.48	6.17
	5-Year Low	1.37	0.99	3.70	3.74
	5-Year Median	2.58	2.12	5.08	4.90

As of 11/17/2020

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 48% (133 out of 254)



Top Peers

Company (Ticker)	Rec	Rank
Target Corporation (TGT)	Outperform	2
Amazon.com, Inc. (AMZN)	Neutral	3
Cigna Corporation (CI)	Neutral	3
CVS Health Corporation (CVS)	Neutral	3
Herbalife LTD. (HLF)	Neutral	2
McKesson Corporation (MCK)	Neutral	3
Rite Aid Corporation (RAD)	Neutral	4
Walmart Inc. (WMT)	Neutral	3

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

Industry Comparison Industry: Retail - Pharmacies And Drug Stores				Industry Peers		
	WBA	X Industry	S&P 500	CVS	HLF	RAD
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	2	4
VGM Score	A	-	-	A	B	B
Market Cap	34.51 B	3.44 B	26.21 B	87.88 B	6.28 B	598.63 M
# of Analysts	10	5.5	14	13	1	2
Dividend Yield	4.69%	0.00%	1.5%	2.98%	0.00%	0.00%
Value Score	A	-	-	A	B	C
Cash/Price	0.01	0.14	0.06	0.13	0.17	0.14
EV/EBITDA	13.96	8.42	14.53	8.37	10.90	8.46
PEG F1	1.62	1.58	2.80	1.54	NA	NA
P/B	1.63	1.32	3.60	1.27	NA	0.99
P/CF	5.66	6.04	13.74	6.42	14.20	1.77
P/E F1	8.09	9.05	22.02	9.05	12.76	NA
P/S TTM	0.25	0.32	2.85	0.33	1.17	0.03
Earnings Yield	12.37%	9.44%	4.32%	11.05%	7.84%	-0.65%
Debt/Equity	0.58	0.11	0.70	0.89	-2.63	5.84
Cash Flow (\$/share)	7.04	3.36	6.92	10.47	3.36	6.13
Growth Score	B	-	-	A	B	C
Historical EPS Growth (3-5 Years)	6.67%	6.51%	9.79%	9.87%	6.36%	NA
Projected EPS Growth (F1/F0)	3.95%	4.56%	0.36%	4.82%	32.62%	-143.33%
Current Cash Flow Growth	-19.36%	-16.33%	5.39%	-16.33%	-5.12%	-53.93%
Historical Cash Flow Growth (3-5 Years)	0.93%	-9.96%	8.31%	14.66%	-4.76%	-16.86%
Current Ratio	0.67	1.16	1.38	0.95	1.59	1.58
Debt/Capital	36.60%	41.85%	41.97%	47.11%	NA	85.39%
Net Margin	0.33%	-1.51%	10.41%	2.99%	6.64%	-1.51%
Return on Equity	18.33%	-0.66%	15.05%	15.60%	-103.36%	2.86%
Sales/Assets	1.57	1.57	0.50	1.15	1.80	2.38
Projected Sales Growth (F1/F0)	2.33%	2.33%	0.16%	4.12%	13.65%	8.63%
Momentum Score	B	-	-	B	D	A
Daily Price Change	-9.63%	-6.28%	-0.35%	-8.62%	1.04%	-16.29%
1-Week Price Change	14.47%	6.13%	4.23%	9.31%	-4.85%	12.32%
4-Week Price Change	6.31%	3.20%	6.91%	12.97%	0.08%	10.39%
12-Week Price Change	0.90%	-9.95%	9.73%	5.78%	-4.69%	-20.76%
52-Week Price Change	-35.14%	-18.47%	6.44%	-10.90%	7.09%	9.05%
20-Day Average Volume (Shares)	8,570,943	2,109,720	2,205,801	11,159,752	1,071,173	3,148,267
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	-0.34%	1.48%	1.73%	2.95%	6.86%	0.00%
EPS F1 Estimate 12-Week Change	-8.98%	-3.05%	3.56%	2.89%	7.78%	-112.87%
EPS Q1 Estimate Monthly Change	-0.63%	-0.31%	0.58%	-7.78%	3.85%	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

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

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

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

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

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

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

Additional Disclosure

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

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

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

Glossary of Terms and Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Periods:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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