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Feb 22, 2021

Wells Fargo & Company (WFC)

$37.83 (As of 02/19/21)

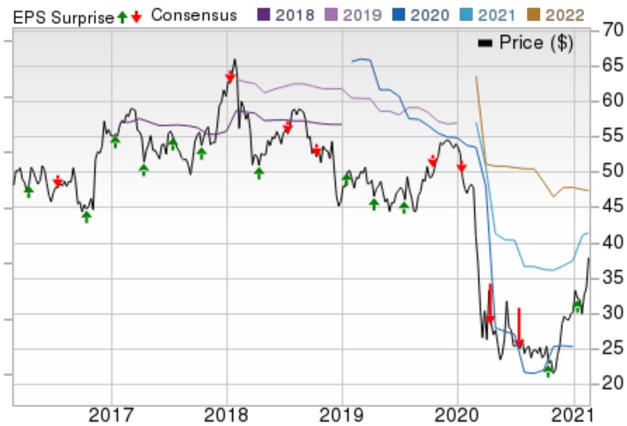
Price Target (6-12 Months): **$40.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 02/19/21) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**3-Hold**
	Zacks Style Scores:	VGM:F
	Value: D | Growth: F | Momentum: B	

Summary

Shares of Wells Fargo have outperformed the industry over the past six months. Also, the company's earnings surprise history is decent, having surpassed the Zacks Consensus Estimate in two of the trailing four quarters. The company's efforts to enhance compliance and risk-management capability, along with streamlining activities, seem encouraging. Also, strong deposits balance depicts robust liquidity position. The company carries less credit risk in case of any economic downturn. Declining expenses due to its cost savings efforts, might support bottom-line growth to an extent. However, Wells Fargo's revenues remain under pressure due to low rates and volatile fee income trend. Also, legal hassles pose a concern. Further, restrictions on asset growth placed by Federal reserve, has taken a toll on the company's loan growth ability.

Price, Consensus & Surprise

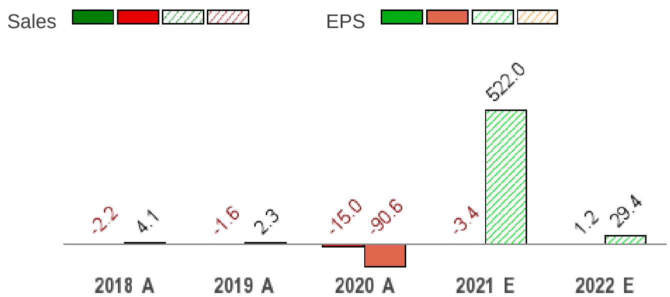


Source: Zacks Investment Research

Data Overview

52-Week High-Low	$46.95 - $20.76
20-Day Average Volume (Shares)	31,003,412
Market Cap	$156.4 B
Year-To-Date Price Change	25.4%
Beta	1.28
Dividend / Dividend Yield	$0.40 / 1.1%
Industry	Banks - Major Regional
Zacks Industry Rank	Top 18% (45 out of 253)
Last EPS Surprise	8.5%
Last Sales Surprise	-0.5%
EPS F1 Estimate 4-Week Change	5.3%
Expected Report Date	04/13/2021
Earnings ESP	0.3%
P/E TTM	68.8
P/E F1	14.8
PEG F1	1.3
P/S TTM	2.0

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2022	17,299 E	17,684 E	17,817 E	17,820 E	70,745 E
2021	17,352 E	17,489 E	17,357 E	17,290 E	69,885 E
2020	17,717 A	17,836 A	18,862 A	17,925 A	72,340 A

EPS Estimates

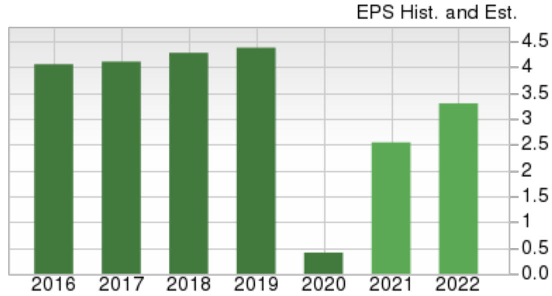
	Q1	Q2	Q3	Q4	Annual*
2022	$0.71 E	$0.88 E	$0.99 E	$1.02 E	$3.30 E
2021	$0.58 E	$0.64 E	$0.68 E	$0.68 E	$2.55 E
2020	$0.01 A	-$0.66 A	$0.56 A	$0.64 A	$0.41 A

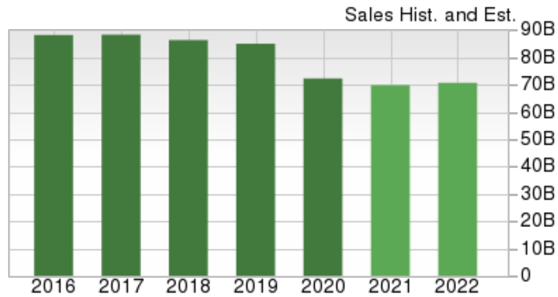
*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 02/19/2021. The report's text and the analyst-provided price target are as of 02/22/2021.

Overview

San Francisco-based – Wells Fargo & Company is one of the largest financial services company in the U.S. with $1.96 trillion in assets and more than $1.4 trillion in deposits. The company provides banking, insurance, trust and investments, mortgage banking, investment banking, retail banking, brokerage services and consumer and commercial finance through more than 5,032 branches, broad ATMs network, the internet and other distribution channels across North America and globally.





The company provides its services through four broad segments:

- **Consumer Banking and Lending** offers products and services such as checking and savings accounts, credit and debit cards, as well as home, auto, personal and small business lending to consumers and small businesses with annual sales generally up to $5 million.
- **Commercial Banking** provides banking and credit products across multiple industry sectors and municipalities, secured lending and lease products, and treasury management, to private, family owned and certain public companies.
- **Corporate and Investment Banking** delivers services related to capital markets, banking and financial to corporate, commercial real estate, government and institutional clients globally.
- **Wealth and Investment Management** provides personalized wealth management, investment and retirement products and services to clients across U.S.-based businesses including Wells Fargo Advisors, The Private Bank, Abbot Downing and Wells Fargo Asset Management.

All other business activities that are not included in the reportable operating segments have been included in a **Corporate** category.

In October 2019, Wells Fargo closes the sale of its commercial real estate brokerage business, Eastdil Secured and recorded a pre-tax gain of about $362 million.

In July 2019, Wells Fargo divested its Institutional Retirement & Trust business to Principal Financial Group for $1.2 billion. In February 2018, it completed the sale of its Shareowner Services business to U.K.-based Equiniti Group plc, for $227 million.

Source: Zacks Investment Research

Reasons To Buy:

- Wells Fargo's expansion plans have historically included a large number of acquisitions including the Wachovia merger in 2008. Moreover, since 2011, the company has completed a number of opportunistic transactions. Further, the expansion moves has been supported by the purchase of a number of businesses from GE Capital. The company plans to expand its operations in international markets and augment its asset management business. It has demonstrated its ability to assimilate local franchises, offering a wider range of products than the acquired company could have, thus increasing the number of options for customers. This has been the driving force behind its growth in the recent years.

> Wells Fargo continues to benefit from deposit growth, lower costs, strong capital position and improving credit quality. Also, acquisition moves are likely to support the company's growth strategy.

- Wells Fargo continues to build on its deposits base, which recorded a five-year CAGR (2016-2020) of nearly 2%. Notably, the company ranks third among the major Wall Street firms in terms of deposits held. Also, with the gradual revival of the economy and business activities resuming, deposit balance are likely to continue growing and supporting the bank's liquidity position.

- Wells Fargo's prudent expense management initiatives support its financial. Over the last four years (ended 2020), the company's cost base witnessed negative CAGR of nearly 1%. The company is focused on reducing its expense base to $53 billion in 2021 by building a more efficient company with a streamlined organizational structure, closing branches (targets to close 250 branches in 2021) and reducing headcount by optimizing operations and other backoffice teams. Such efforts are likely to support bottom-line growth of the company.

- As of Dec 31, 2020, the company had debt level of $271.9 billion and has witnessed decline over the past few quarters. Further, cash and cash equivalents were $264.6 billion as of the same date and has shown improvement over the same period. Thus, given decent liquidity profile, we believe Wells Fargo is less likely to default its interest and debt repayments, if the economic situation worsens.

- Despite the macro pressure, Wells Fargo's credit quality is normalizing. This trend is expected to continue, thereby providing room to drive future earnings. Notably, net charge-offs remained near a low level of 26 basis points (bps) as a percentage of average loans (annualized) as of Dec 31, 2020, exhibiting the benefit of a diversified loan portfolio. Thus, with gradual recovery of the economy, credit quality is expected to improve in the quarters ahead.

- Shares of Wells Fargo have outperformed the industry in the past six months. With this favorable trend, its earnings estimates for the current year have been revised 1.6% upward over the past 30 days. The stock seems undervalued when compared with the broader industry. Its current price-to-book value (P/B) and PEG ratios are below the respective industry averages. Therefore, given the robust fundamentals and positive estimate revisions, the stock has upside potential.

Reasons To Sell:

Wells Fargo’s involvement in legal issues is a concern. Also, declining revenues on lower NII and fee income pose a headwind. Falling loans balance due to asset cap remains a major drag.

- Revenue growth has become challenging at Wells Fargo. Revenues witnessed a negative CAGR of nearly 4.9%, over the last five years (2016-2020), due to a lower rate environment and volatile non-interest income. Therefore, amid coronavirus pandemic, loan and deposit growth rates, pricing spreads, the level of interest rates and the shape of the yield curve remain decisive factors for the top-line performance in the coming quarters.

- Wells Fargo registered decline in loans over the past few years on planned run-off from non-strategic/liquidating portfolios. The company’s total loans witnessed negative five-year CAGR (ended 2020) of 2.1% with some annual volatility. Further, the restrictions on balance sheet growth of the company are also responsible for decline in loans. We expect Wells Fargo’s loan balance to remain disappointing, thereby hurting interest income, until it comply fully with regulators’ demands regarding compliance and operational risk management.

- Federal Reserve reduced interest rates three times in 2019 and finally slashed it to near zero in last March, to support the U.S. economy from the coronavirus outbreak-induced mayhem. This impacted Wells Fargo’s net interest income (NII) growth and resulted in contraction of net interest margin over the last several quarters. A similar trend is expected to continue in the near term as the central bank has signaled no rate hike till 2023.

- Though mortgage banking income recorded growth in 2020 on reversal in the mortgage market, it witnessed a negative four-year (2017-2020) CAGR of 7.1%, affecting overall top-line growth due to considerable write-downs of its mortgage-servicing rights asset on higher projected defaults and faster prepayment assumptions. Wells Fargo, which was the largest mortgage originator in the United States as of 2017, has also been witnessing lower mortgage servicing income, which is a concern.

- Troubles mounted at Wells Fargo, in September 2016, following the revelation of opening of millions of unauthorized accounts. Since then, the bank has settled numerous litigations and penalties. Further, the bank has been slapped with new sanctions, including a cap on the assets position by the Federal Reserve. Disclosure of issues in its auto-insurance business, online bill pay services, and in the Wealth and Investment Management segments are also on the downside. In a major setback, U.S. CFPB director expressed her dissatisfaction with Wells Fargo's progress fixing its risk management issues. In February 2020, the bank announced to have entered into a $3 billion settlement with the authorities investigating its Community Bank sales practices. Therefore, legal and regulatory issues remain a concern.

- Following the second-round of 2020 stress test results, Federal Reserve has extended, until Mar 31, 2021, the deadline to provide notice of whether Wells Fargo’s stress capital buffer requirement will be recalculated. In addition, the Federal Reserve has revised the capital distribution authorization requirements it announced on Sep 30, 2020. Though the company raised its share repurchase authorization by additional 500 million shares, unfavorable debt/equity ratio compared with the broader industry and volatile performance in the past few quarters make Wells Fargo’s capital-deployment activities unsustainable.

- Wells Fargo's trailing 12-month return on equity (ROE) undercuts its growth potential. Though the company’s ROE of 2.39% has gradually improved over the years, it compares unfavorably with the 8.09% industry average, highlighting that it is less efficient in using shareholders’ funds.

Last Earnings Report

Wells Fargo Q4 Earnings Beat Estimates, Revenues Fall

Quarter Ending	12/2020
Report Date	Jan 15, 2021
Sales Surprise	-0.53%
EPS Surprise	8.47%
Quarterly EPS	0.64
Annual EPS (TTM)	0.55

Successful cost saving initiatives and unexpected release of reserves supported Wells Fargo's fourth-quarter 2020 earnings of 64 cents per share, which surpassed the Zacks Consensus Estimate of 59 cents. Also, the bottom line compared favorably with the prior-year quarter figure of 60 cents.

Increased gains on equity securities and higher mortgage banking revenues supported the bank. Moreover, the company reflects prudent expense management. Further, a net benefit to provision of credit losses was reported during the quarter. However, reduced net interest income on lower rates negatively impacted its results.

In 2020, earnings per share came in at 41 cents compared with $4.05 in 2019. The reported figure, however, surpassed the Zacks Consensus Estimate of 38 cents.

In the fourth quarter, net income came in at $3 billion compared with the $2.9 billion recorded in the prior-year quarter. In 2020, net income was $3.3 billion compared with the $19.5 billion reported in the prior year.

The quarter's total revenues came in at $17.9 billion, lagging the Zacks Consensus Estimate of $18 billion. Further, the top line was lower than the year-ago quarter's $19.9 billion.

Revenues in full-year 2020 were $72.3 billion, missing the Zacks Consensus Estimate of $72.5 billion. Also, revenues edged down 15%, year over year.

Furthermore, quarterly revenue generation at the business segments disappointed, on a year-over-year basis. The Consumer Banking and Lending segment's total quarterly revenues slipped 5% and Commercial Banking revenues were down 43%. Further, revenues in the Corporate and Investment Banking as well as the Wealth and Investment Management units fell 7% and 4%, respectively.

Net Interest and Fee Income Fall, Costs Decline

Wells Fargo's net interest income in the fourth quarter came in at $9.3 billion, down 17% year over year due to lower interest rates, loan balances, investment securities balances and higher mortgage-backed securities premium amortization. Furthermore, net interest margin shrunk 40 bps to 2.13%.

Non-interest income at Wells Fargo came in at $8.7 billion, down slightly year over year. Lower cards fees, deposit-related fees and lease income was offset by higher revenues from net gains from equity securities and mortgage banking.

As of Dec 31, 2020, total loans were $887.6 billion, down 4% sequentially. Lower commercial and consumer loans led to the fall. Total deposits came in at $1.4 trillion, up 2% from the prior quarter.

Non-interest expense at Wells Fargo was $14.8 billion during the fourth quarter, down 5% year over year. Lower operating losses, technology, telecommunications and equipment expenses along with advertising and promotion expenses were partly muted by higher occupancy costs.

The company's efficiency ratio of 83% came in above the 79% recorded in the year-ago quarter. A rise in efficiency ratio indicates a fall in profitability.

Credit Quality: A Mixed Bag

Wells Fargo's credit quality metrics were a mixed bag during the December quarter. Allowance for credit losses, including the allowance for unfunded commitments, totaled $19.7 billion as of Dec 31, 2020, up 88.5% year over year. Non-performing assets increased 57.3% to $8.9 billion in the fourth quarter from the $5.6 billion reported in the year-earlier period.

Net charge-offs were $584 million or 0.26% of average loans in the reported quarter, down 24% from the year-ago quarter's $769 million (0.32%).

Provision for credit losses was a net benefit of $179 million, due to a $757 million reserve release on account of sale of its student loan portfolio. This compares with the provision of $644 million reported in the year-ago quarter.

Healthy Capital Position

Wells Fargo has maintained a sturdy capital position. Its Tier 1 common equity under Basel III (fully phased-in) decreased to $138.3 billion from $138.8 billionin the prior-year quarter. The Tier 1 common equity to total risk-weighted assets ratio was at 11.6% under Basel III (fully phased-in) as of Dec 31, 2020, up from 11.1%.

Book value per share declined to $39.76 from $40.31 recorded in the comparable period last year.

Return on assets was 0.62%, up from the prior-year quarter's 0.59%. Return on equity was 6.4%, up from the year-ago quarter's 5.9%.

As of Dec 31, 2020, eligible external total loss absorbing capacity (TLAC) as a percentage of total risk-weighted assets was 25.8% compared with the minimum requirement of 23.3%.

Capital Deployment Activities

Following the approval from the Federal Reserve to buy back shares last month, Wells Fargo's board has approved an increase in the common stock repurchase program by an additional 500 million shares, bringing the total authorized amount to 667 million common shares.

Outlook 2021

Net interest income is expected to remain flat or decline 4%, sequentially. About 1% of the potential decline is likely to be due to the divesture of student loan portfolio.

Also, it expects stable total loan balances on a sequential basis, with a modest reduction in the proportion of consumer loan balances.

Mortgage balances is likely to face headwinds in 2021, on account of elevated level of prepayments and given the expected sale or resecuritization of loans previously purchased out of agency mortgage securitizations.

Expenses are expected to amount to $53 billion (excluding restructuring charges and business exits). Revenue-related compensation might increase to $500 million, primarily in Wealth Management. The company expects to realize $3.7 billion of gross expense reductions in 2021. This might be partially offset by incremental spending, including personnel and technology along with investments in risk and regulatory work. After factoring in incremental spending, net reduction for 2021 is expected to be nearly $1.5 billion with reductions accelerating through the year.

The company expects to increase its return on tangible common equity to 10% in the short term if it is successful in reducing expenses and optimize capital levels closer to its internal target.

Effective income tax rate for 2021 is expected to be in the mid-single digits.

Recent News

Wells Fargo Announces End of 2015 AML Consent Order - Jan 5, 2021

After facing a horde of legal investigations since 2016, Wells Fargo announced that a consent order, placed in 2015, related to its anti-money laundering (AML) compliance program was terminated by the Office of the Comptroller of the Currency.

The regulators are satisfied with the remedial measures taken by Wells Fargo regarding the consent order. Notably, the bank implemented customer due diligence standards that includes collection of current beneficial ownership information for certain business customers.

"Building the right risk and control infrastructure and remediating our legacy issues remain our top priority, and the termination of this consent order is evidence of our progress," said Wells Fargo's CEO Charlie Scharf. He added, "While we are pleased with this action, we have a significant amount of work ahead of us and are continuing to commit the necessary resources to this effort.",.

In a quick recap, the 2015 consent order was issued when the regulators realized that the key problem was related to how the bank approves proper identification documents of new and existing customers. Wells Fargo was given a deadline of June 2018 to enforce all remedial actions, which it got extended.

Among the several other limitations and probes that Wells Fargo is currently facing, the one that remains its priority is the asset growth restrictions placed by the Federal Reserve in early 2018.

Last month, the company said that it still has to work on improving its control systems in order to have the cap lifted. Wells Fargo submitted a proposal, including the compliance and operational risk management program of improvement in September 2020. If the Fed approves it, Wells Fargo will be required to appoint independent third parties to conduct the review of its processes.

Further, on satisfaction of both the above points, full Fed board will be required to agree to revoke the sanction.

Wells Fargo Comments on Federal Reserve's Stress Test Results - Dec 18, 2020

In light of the impact on the global economy from the COVID-19 pandemic, the Federal Reserve required the nation's largest banks, including Wells Fargo, to update and resubmit their capital plans in November 2020. The Federal Reserve released their stress test results.

"Today's stress test results continue to demonstrate Wells Fargo's strong capital position and the benefits of our diverse franchise and sound financial risk management practices," said CEO Charlie Scharf. "We remain committed to supporting our customers, employees, and communities during this challenging time, and we will continue to take appropriate measures to maintain strong capital and liquidity levels."

In addition to announcing Wells Fargo's stress test results, the Federal Reserve announced that it has extended, until March 31, 2021, the deadline for the Federal Reserve to provide notice of whether Wells Fargo's stress capital buffer requirement will be recalculated. In addition, the Federal Reserve is revising the capital distribution authorization requirements it announced on Sep 30, 2020. Specifically, as long as Wells Fargo does not increase the amount of its common stock dividends, the Federal Reserve has authorized Wells Fargo, for the first quarter of 2021, to:

- pay common stock dividends and make share repurchases that, in the aggregate, do not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters;
- make share repurchases that equal the amount of share issuances related to expensed employee compensation; and
- redeem and make scheduled payments on additional tier 1 and tier 2 capital instruments.

"Returning capital to shareholders remains a priority for Wells Fargo," said Scharf. "While we expect to have modest capital distribution capacity in the first quarter, we continue to have significant excess capital above regulatory requirements."

Wells Fargo to Divest Private Student Loan Portfolio - Dec 18, 2020

Wells Fargo has agreed to sell its private student loan portfolio to investors. The transaction is likely to close in the first half of 2021. With the conclusion of the sale, the portfolio will be serviced by Firstmark, a subsidiary of Nelnet, Inc.

In September, Wells Fargo had notified customers about its desire to quit the private student loan business. However, the company will continue to accept new loan applications from existing customers till Jan 28, 2021. As of Sep 30, 2020, the company's private student loan portfolio had a principal balance of $10 billion.

Wells Fargo has undertaken several such divestiture measures over the years to focus on its core operations, boost efficiency and strengthen balance sheet. These have resulted in significant cost savings for the bank.

Wells Fargo Partners With iCapital To Sell Feeder Fund Platform - Jun 18, 2020

Wells Fargo Investment Institute, Inc., (WFII), the registered investment advisor and wholly owned subsidiary of Wells Fargo announced that it will divest its Global Alternative Investments (GAI) Feeder Fund Platform to a financial-technology firm, iCapital Network, in an effort to simplify operations and provide innovative products to the bank's clients.

Additionally, Wells Fargo will become the latest strategic investor by joining the group of wealth and asset managers that has made strategic investments in iCapital.

The Wells Fargo GAI Feeder Fund Platform collects client money to invest in varied alternative solutions, including private equity, private debt, hedge funds, private real estate, and direct private investments.

“We are pleased to partner with iCapital to deliver alternative investments to enhance the experience for our advisors and clients,” said Darrell Cronk, president of WFII. “This transaction will allow us to continue to provide innovative alternative investment solutions to our clients as well as upgrade the overall platform and launch new offerings,” Cronk added further.

As part of the deal terms, the fund portfolio will be supported by the transitioning team for the continuation of services to clients. Additionally, iCapital will offer positions to team of Wells Fargo staff members, who, at present, support feeder fund operations businesses.

Wells Fargo’s partnership with iCapital is aimed at offering the best-in-class solution to its clients with innovative alternative investments. With the enhanced technology and efficiency of iCapital, the clients will continue to receive Wells Fargo’s current existing investment services including upfront and ongoing investment due diligence, product selection, investment monitoring, platform management, product support, and education.

Dividend Update

On Oct 27, Wells Fargo announced quarterly common stock dividend of 10 cents per share. The dividend was paid on Dec 1 to its shareholders of record as on Nov 6.

Valuation

Wells Fargo’s shares are up 25.3% so far this year but down 18.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Finance sector are up 14.6% and 7.9% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are up 2% and 7.7%, respectively.

The S&P 500 Index is up 4.4% and 23.3% in the year-to-date period and trailing 12-month period, respectively.

The stock is currently trading at 14.24X forward 12 months earnings, which compares to 13.01X for the Zacks sub-industry, 17.03X for the Zacks sector and 22.68X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 23.19X and as low as 6.53X, with a 5-year median of 11.8X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $40 price target reflects 14.95X forward earnings.

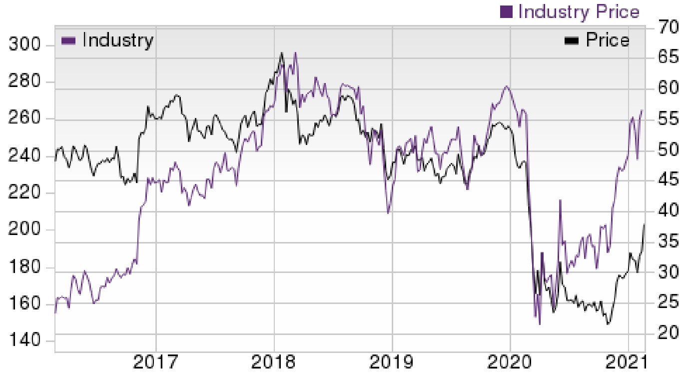
The table below shows summary valuation data for WFC

Valuation Multiples - WFC

		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	14.24	13.01	17.03	22.68
	5-Year High	23.19	14.2	17.12	23.8
	5-Year Low	6.53	8.01	11.59	15.3
	5-Year Median	11.8	11.56	14.56	17.84
P/TB TTM	Current	1.2	2.07	3.9	20.43
	5-Year High	2.32	2.68	4.05	20.58
	5-Year Low	0.69	1.21	2.05	7.79
	5-Year Median	1.79	2.11	3.56	11.07
P/S F12M	Current	2.23	4	7.17	4.55
	5-Year High	3.61	4.59	7.17	4.55
	5-Year Low	1.22	2.39	5.02	3.21
	5-Year Median	2.72	3.59	6.12	3.68

As of 02/19/2021 *Source: Zacks Investment Research*

Industry Analysis **Zacks Industry Rank:** Top 18% (45 out of 253)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
KeyCorp **(KEY)**	Outperform	1
M&T Bank Corporation **(MTB)**	Outperform	2
Bank of America Corporation **(BAC)**	Neutral	2
Citigroup Inc. **(C)**	Neutral	3
Fifth Third Bancorp **(FITB)**	Neutral	3
JPMorgan Chase & Co. **(JPM)**	Neutral	3
The PNC Financial Services Group, Inc **(PNC)**	Neutral	3
U.S. Bancorp **(USB)**	Neutral	3

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

Industry Comparison Industry: Banks - Major Regional

	WFC	X Industry	S&P 500	BAC	C	JPM
				Industry Peers		
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	2	3	3
VGM Score	F	-	-	F	F	F
Market Cap	156.41 B	37.50 B	27.94 B	298.80 B	136.95 B	451.20 B
# of Analysts	13	9	13	10	11	10
Dividend Yield	1.06%	2.93%	1.41%	2.08%	3.10%	2.43%
Value Score	D	-	-	F	D	F
Cash/Price	2.92	1.84	0.06	3.08	7.39	3.08
EV/EBITDA	-0.36	-0.45	14.71	-5.87	-12.43	-7.97
PEG F1	1.32	2.01	2.38	2.01	1.22	2.79
P/B	0.95	1.22	3.87	1.20	0.76	1.81
P/CF	5.71	10.54	15.57	9.41	6.45	10.54
P/E F1	14.73	13.17	20.85	14.06	9.87	13.95
P/S TTM	1.95	3.00	3.10	3.19	1.54	3.48
Earnings Yield	6.74%	7.60%	4.73%	7.12%	10.14%	7.17%
Debt/Equity	1.29	0.75	0.66	1.06	1.50	1.13
Cash Flow ($/share)	6.63	4.75	6.64	3.67	10.20	14.04
Growth Score	F	-	-	F	F	F
Historical EPS Growth (3-5 Years)	-22.06%	7.45%	9.32%	16.31%	6.07%	11.12%
Projected EPS Growth (F1/F0)	521.02%	35.52%	13.98%	31.39%	36.59%	19.53%
Current Cash Flow Growth	-1.58%	-5.52%	2.02%	3.02%	2.56%	9.35%
Historical Cash Flow Growth (3-5 Years)	1.85%	5.26%	7.55%	27.50%	7.31%	10.67%
Current Ratio	0.85	0.85	1.38	0.84	0.97	0.86
Debt/Capital	53.39%	41.57%	41.22%	49.07%	57.53%	51.72%
Net Margin	4.11%	19.09%	10.60%	19.09%	13.17%	22.48%
Return on Equity	2.39%	8.09%	14.86%	7.32%	6.63%	12.19%
Sales/Assets	0.04	0.04	0.51	0.03	0.04	0.04
Projected Sales Growth (F1/F0)	-3.39%	-1.74%	6.63%	-1.45%	-5.84%	-4.00%
Momentum Score	B	-	-	A	B	C
Daily Price Change	2.35%	2.20%	0.55%	1.02%	3.62%	1.67%
1-Week Price Change	2.98%	2.37%	1.44%	3.09%	1.68%	2.37%
4-Week Price Change	18.22%	9.52%	1.51%	8.72%	6.32%	9.78%
12-Week Price Change	32.32%	21.16%	6.62%	18.98%	15.28%	21.30%
52-Week Price Change	-20.09%	-0.89%	8.08%	-0.89%	-15.90%	7.66%
20-Day Average Volume (Shares)	31,003,412	4,778,897	2,033,954	43,840,164	17,156,140	11,059,418
EPS F1 Estimate 1-Week Change	0.91%	0.00%	0.00%	1.99%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	5.28%	6.85%	0.71%	7.76%	4.64%	4.21%
EPS F1 Estimate 12-Week Change	36.27%	21.59%	2.08%	22.07%	21.59%	21.00%
EPS Q1 Estimate Monthly Change	4.29%	4.29%	0.23%	9.32%	1.92%	5.16%

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	D
Growth Score	F
Momentum Score	B
VGM Score	F

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

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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 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.